CIRCULAR NO. A–11

PREPARATION, SUBMISSION, AND EXECUTION OF THE BUDGET

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
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OFFICE OF MANAGEMENT AND BUDGET
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THE DIRECTOR

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CIRCULAR NO. A-11
Revised
Transmittal Memorandum No. 75

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Preparing, Submitting, and Executing the Budget

This year's revision of OMB Circular No. A-11 is much more comprehensive in scope than previous versions. In addition to providing guidance on the FY 2004 Budget submission, it includes the instructions on budget execution formerly included in OMB Circular No. A-34. Merging the budget formulation and execution guidance is a major step toward integrating agencies' budget and accounting functions and improving the quality of financial information. With the publication of this revision to A-11, OMB Circular No. A-34 is rescinded. We also reviewed the budget guidance and reporting requirements imposed by other circulars, bulletins, and formal guidance issued by the Office of Management and Budget (OMB) and, where appropriate, incorporated that information into A-11.

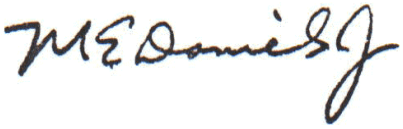
The Circular describes specific steps that agencies must take to integrate budget and performance, a key part of the President's Management Agenda. The revised Circular supports a major on-going initiative to assess the effectiveness of every agency program over the next five years. We intend to include extensive information that aligns resources with output and outcome measures in the FY 2004 Budget, and will be working toward a complete alignment of resources and performance in the FY 2005 Budget.

To help agencies ensure that proposals are linked to and support the President's Management Agenda, the Circular contains criteria for "getting to green" on the agency scorecards. There is also a new part on managing physical and financial assets, designed to be a first step in the Administration's initiative to improve asset management.

We have begun to enhance the search capabilities of the internet version of the Circular and added a number of hyperlinks to link the various parts of the Circular with each other and other web sites. We expect it will take a year to complete this process.

This Circular supersedes all previous versions. The summary of changes highlights the substantive changes made since last year.

Your proposals should reflect the policies of the President, including the government-wide initiatives and agency-specific management reform proposals identified in the President's Management Agenda. Your proposals should also be consistent with guidance provided by OMB, including that contained in OMB spring guidance memoranda.



Mitchell E. Daniels, Jr.
Director

Attachment

TABLE OF CONTENTS

Title	*Sec./Ex. No.*	*Page*
Crosswalk to instructions previously included in OMB Circular No. A–34		**xix**
Guide to the Circular		**xxi**
Summary of changes		**xxvii**
PART 1—GENERAL INFORMATION		
Section 10—Overview of the budget process		
What is the budget?	10.1	10–1
Why prepare a budget?	10.2	10–2
What kinds of information does the budget provide?	10.3	10–2
Which agencies does the budget cover?	10.4	10–3
What happens during the Federal budget process and when?	10.5	10–3
What is the Mid-Session Review?	10.6	10–6
How do GPRA and audits affect my budget?	10.7	10–6
What are the central financial agencies?	10.8	10–6
What are the responsibilities and functions of OMB?	10.9	10–6
What are the responsibilities and functions of the Treasury?	10.10	10–7
What are the responsibilities and functions of CBO?	10.11	10–7
What are the responsibilities and functions of GAO?	10.12	10–7
Do OMB, CBO, FMS, and GAO have any overlapping responsibilities?	10.13	10–8
Section 15—Basic budget laws		
What laws govern the budget cycle?	15.1	15–1
Why is the Budget and Accounting Act important?	15.2	15–1
How does Congress enact the Budget and what laws govern the process?	15.3	15–2
What laws govern the budget execution process when funds are actually spent?	15.4	15–3
What does the Government Performance and Results Act of 1993 require?	15.5	15–3
What do I need to know about the Federal Credit Reform Act of 1990?	15.6	15–4
Section 20—Terms and concepts		
What is the purpose of this section?	20.1	20–2
How do I use this section?	20.2	20–2
What special terms must I know?	20.3	20–2
What do I need to know about budget authority?	20.4	20–8
When should I record obligations and in what amounts?	20.5	20–18
What do I need to know about outlays?	20.6	20–22
What do I need to know about receipts, offsetting collections, and offsetting receipts?	20.7	20–23
What do I need to know about cash-equivalent transactions?	20.8	20–30
What do I need to know about discretionary spending, mandatory spending, and PAYGO?	20.9	20–31
What do I need to know about refunds?	20.10	20–35
What do I need to know about accounts and fund types?	20.11	20–36
How do I record investment in securities, disinvestment, and earnings?	20.12	20–40
What do I need to know about spending authority from offsetting collections?	20.13	20–47
Transfers of budgetary resources among Federal government accounts	Ex–20	20–50

Title	*Sec./Ex. No.*	*Page*
Section 22—Communications with Congress and the public and clearance Requirements		
Confidentiality of budget deliberations	22.1	22–1
Congressional testimony and communications	22.2	22–1
Clearance of materials for Congress and the media	22.3	22–2
Clearance of changes to the President's budget	22.4	22–3
Information available to the public	22.5	22–3
Additional material to be included in congressional budget justifications	22.6	22–4
PART 2—PREPARATION AND SUBMISSION OF BUDGET ESTIMATES		
I. GENERAL POLICIES AND REQUIREMENTS RELATED TO DEVELOPING ESTIMATES AND PROPOSALS		
Section 25— Summary of requirements		
Does Part 2 apply to me?	25.1	25–1
How do I get an exception from the requirements in Part 2?	25.2	25–2
For what items do I need advance approval?	25.3	25–2
When do I submit information to OMB?	25.4	25–2
What do I include in the initial submission?	25.5	25–3
What do I submit after passback?	25.6	25–4
Section 30—Basic policies and assumptions		
What should be the basis for my proposals?	30.1	30–1
What is the scope of the policy estimates?	30.2	30–2
What economic assumptions should I use when I develop estimates?	30.3	30–2
What assumptions should I make about growth in agency workload?	30.4	30–3
How do I develop unit cost information?	30.5	30–3
Section 31—Compliance with administration policies and other general Requirements		
Advance appropriations	31.1	31–1
Environmental management	31.2	31–1
Equal opportunity	31.3	31–1
Full funding	31.4	31–2
Government perquisites	31.5	31–2
MAX electronic network	31.6	31–2
Multi–year appropriations	31.7	31–3
Performance indicators, performance goals, and management improvement	31.8	31–3
Performance of commercial activities	31.9	31–4
User charges	31.10	31–5
Workforce planning and restructuring	31.11	31–5
Section 32—Estimating employment levels, compensation, benefits, and Related costs		
What terms do I need to know?	32.1	32–1
What should be the basis for my personnel estimates?	32.2	32–1
What do I need to know about FTE budgeted levels?	32.3	32–3
How do I treat agency benefit payments under the Federal Employee Compensation Act?	32.4	32–5
How do I estimate Federal employee pension and health benefit costs?	32.5	32–5
How do I reflect the effects of pay raises?	32.6	32–8
How do I budget for unemployment compensation?	32.7	32–8

Title	*Sec./Ex. No.*	*Page*
Section 33—Estimates related to specific types of programs and expenditures		
Construction and design of Federal facilities	33.1	33–2
Construction in flood plains	33.2	33–2
Construction of federally-owned housing	33.3	33–3
Leases of capital assets	33.4	33–4
Real property	33.5	33–4
Hospital care	33.6	33–5
Inpatient care facilities and medical care services	33.7	33–5
Aircraft	33.8	33–5
Motor vehicles	33.9	33–5
Advisory committees and interagency groups	33.10	33–6
Benefit payments	33.11	33–6
Coastal Barrier Resources Act	33.12	33–7
Contractor claims	33.13	33–7
Credit programs	33.14	33–7
Foreign currencies	33.15	33–7
Mail	33.16	33–7
National security crosscut	33.17	33–8
Radio spectrum-dependent communications-electronics systems	33.18	33–8
Records storage	33.19	33–8
Remedial environmental projects	33.20	33–8
Space and related requirements	33.21	33–8
Systems acquisitions	33.22	33–8
Taxes and tax expenditures	33.23	33–9
Tort claims	33.24	33–9
Travel	33.25	33–10
Water and sewer payments to the District of Columbia	33.26	33–10
Nuclear reactors	33.27	33–10
Public works in the District of Columbia and National Capital Area	33.28	33–10
Radio spectrum-dependent communications-electronics systems	33.29	33–10
Tax expenditures	33.30	33–10
Agency motor vehicle fleet report	Ex–33	33–11
Section 35—Reporting and estimating data		
Who reviews the status of over-expended or over-obligated accounts?	35.1	35–1
How do I develop past year estimates?	35.2	35–1
How do I develop current year estimates?	35.3	35–2
How do I report transfers between accounts?	35.4	35–2
How do I estimate collections?	35.5	35–2
How do I estimate outlays?	35.6	35–3
Do outlay rates for presidential policy and baseline have to be consistent?	35.7	35–3
II. THE INITIAL BUDGET SUBMISSION		
Section 51—Basic justification materials		
Summary and highlight statement	51.1	51–1
General requirements for justifying programs and financing	51.2	51–2
Analysis of resources	51.3	51–4
Relationship of justification to account structure	51.4	51–4
Agency restructuring or work process redesign	51.5	51–5
Information on grant programs and infrastructure investment	51.6	51–5

Title	*Sec./Ex. No.*	*Page*
Performance indicators and performance goals	51.7	51–5
Other analytical information	51.8	51–5
Information on program evaluation	51.9	51–6
Explanations relating to supplemental appropriations requests	51.10	51–6
Major changes in receipts estimates	51.11	51–6
Unobligated balances in liquidating accounts	51.12	51–6
Geospatial data acquisitions	51.13	51–6
Relationship of programs to account structure	Ex–51	51–8
Section 52—Information on financial management		
What are the general reporting requirements?	52.1	52–1
What other reporting requirements does this fulfill?	52.2	52–1
Who must report financial management information?	52.3	52–2
What materials are required in the budget justification?	52.4	52–2
What is the report on resources for financial management activities (exhibit 52A)?	52.5	52–3
What are the line descriptions and coding for exhibit 52A?	52.6	52–3
How do I complete exhibit 52B?	52.7	52–5
How do I submit exhibit 52A and 52B and when are they due?	52.8	52–5
Report on resources for financial management activities	Ex–52A	52–6
Report on material weaknesses and nonconformances	Ex–52B	52–7
Section 53—Information technology and e-government		
Why must I report on information technology?	53.1	53–1
How do I ensure that IT investments are linked to and support the President's Management Agenda?	53.2	53–3
What special terms must I know?	53.3	53–6
How do I determine whether I must report?	53.4	53–9
How do I submit exhibit 53 and when is it due?	53.5	53–9
If I submitted exhibit 53 last year, how do I revise it this year?	53.6	53–9
How is exhibit 53 organized?	53.7	53–9
How is exhibit 53 coded?	53.8	53–13
What are the steps to complete exhibit 53?	53.9	53–13
Agency information technology (IT) investment portfolio	Ex–53	53–15
Section 54—Rental payments for space and land		
Do I need to report on rental payments?	54.1	54–1
What materials must I provide?	54.2	54–1
What terms do I need to know?	54.3	54–2
How do I prepare the space budget justification?	54.4	54–2
What supporting information must I provide?	54.5	54–5
Space budget justification	Ex–54	54–6
Section 55—Energy and transportation efficiency management		
Why collect this information?	55.1	55–1
Which agencies need to report?	55.2	55–1
How do I prepare exhibit 55?	55.3	55–1
Funding request for energy and transportation efficiency management	Ex–55	55–4
Section 56—Drug control programs		
Do I need to submit information on drug control programs?	56.1	56–1
What materials must I provide?	56.2	56–1

Title	*Sec./Ex. No.*	*Page*
Section 57—Information on erroneous payments		
What is an erroneous payment?	57.1	57–1
Who must report erroneous payment information and when is it due?	57.2	57–1
What materials must I provide?	57.3	57–1
How do I submit exhibit 57A?	57–4	57–3
Erroneous payment information	Ex–57A	57–4
Programs for which erroneous payment information is requested	Ex–57B	57–5
Section 58—Information on overseas staffing		
Why collect this information?	58.1	58–1
Which agencies need to report?	58.2	58–1
What materials must I provide?	58.3	58–1
Information on overseas staffing	Ex–58	58–2
III. MAX DATA AND OTHER MATERIALS REQUIRED AFTER PASSBACK		
Section 71—Reporting by budget account		
At what level of detail do I report MAX data, proposed appropriations language, and narratives?.	71.1	71–1
How do budget accounts relate to Treasury accounts?	71.2	71–1
How do I align budget accounts with programs?	71.3	71–2
What do I need to know about changing account and budget structure?	71.4	71–2
How do I account for reimbursements?	71.5	71–3
How do I account for allocations?	71.6	71–3
When should I merge accounts?	71.7	71–3
When should I consolidate accounts?	71.8	71–3
What do I need to know about accounting adjustments under 31 U.S.C. 1534?.	71.9	71–4
Section 79—The budget data system		
What is the MAX system?	79.1	79–1
What should I know about account identification codes?	79.2	79–2
How do I establish new accounts?	79.3	79–4
How do I report data in MAX?	79.4	79–8
What do I need to know about MAX schedules and line numbers?	79.5	79–8
MAX A–11 technical requirements for FY 2004 Budget	Ex–79A	79–15
Functional classification	Ex–79B	79–17
Section 80—Development of baseline estimates		
What are the basic requirements?	80.1	80–1
What general rules do I need to know?	80.2	80–1
What rules apply to discretionary spending and collections?	80.3	80–2
What rules apply to direct spending programs?	80.4	80–4
What rules apply to mandatory collections?	80.5	80–4
What rules apply to mandatory supplemental requests?	80.6	80–5
What rules apply to discretionary limitations on obligations?	80.7	80–5

Title	*Sec./Ex. No.*	*Page*
Section 81—Policy and baseline estimates of budget authority, outlays, and receipts (schedules A, S, R, and K)		
What are the basic requirements?	81.1	81–1
What information is automatically calculated?	81.2	81–2
What data classifications do I use to report the data?	81.3	81–3
What line codes do I use for schedules A, S, R, and K?	81.4	81–11
Relationships between schedules A, K, P, R, and S	Ex–81A	81–17
Setting up outlay calculations	Ex–81B	81–18
Setting up outlay calculations–resource with multiple outlay rates	Ex–81C	81–19
Automatic generation of discretionary outlays in schedule A	Ex–81D	81–20
Section 82—Program and financing (schedule P)		
What is the purpose of the program and financing schedule and how is it organized?	82.1	82–2
How do I report obligations?	82.2	82–2
How do I report the budgetary resources available for obligation?	82.3	82–5
How do I report obligated balances?	82.4	82–16
How do I report outlays?	82.5	82–18
How do I show net budget authority and outlays?	82.6	82–18
What additional information must I report on schedule P?	82.7	82–20
How do I present enacted rescissions and reductions of budget authority?	82.8	82–21
How do I present rescission proposals?	82.9	82–22
How do I present supplemental appropriations requests and items proposed for later transmittal?	82.10	82–23
How do I present transfers of resources?	82.11	82–23
How do I present transfers in the estimates?	82.12	82–23
How do I present merged accounts and consolidated schedules?	82.13	82–24
How do I present annual limitations on trust or revolving funds?	82.14	82–25
How should I treat allocation accounts?	82.15	82–25
How do I present credit accounts?	82.16	82–25
Do the actuals I report in the P&F need to tie to the actuals I reported to Treasury?	82.17	82–25
What actuals in the P&F are imported from the actuals I reported to Treasury	82.18	82–26
What do I do if I do not agree with the PY amount on line P 9000 "Outlays (net)?"	82.19	82–27
What do I do if I do not agree with the PY amount on lines P 1000, P 2140, P 2440, P 7240 and P 7440?	82.20	82–27
What do I do if I do not agree with other PY amounts imported from Treasury?	82.21	82–28
Why do I need to revise FACTS II if I do not agree with PY amounts imported from Treasury?	82.22	82–29
Where is guidance related to adding a footnote to financial statements?	82.23	82–29
What can I do to prepare?	82.24	82–29
Automatic generation of MAX schedule P data	Ex–82	82–30
Section 83—Object classification (MAX schedule O)		
What are object classes?	83.1	83–1
Why must I report object class information?	83.2	83–2
How do object classes compare to functional and character classes and program activity?	83.3	83–2
How does the object class schedule relate to the program and financing schedule?	83.4	83–2
How can I determine whether an obligation should be classified as direct or reimbursable?	83.5	83–3
How should I report obligations that are covered by statutory limitations?	83.6	83–4

Title	*Sec./Ex. No.*	*Page*
What object class codes and definitions should I use?	83.7	83–4
What object classes are associated with civilian and military pay in the baseline?	83.8	83–21
How do I classify relocation expenses related to a permanent change of station (PCS)?	83.9	83–21
How do I classify purchases related to information technology (IT)?	83.10	83–22
How do I classify obligations for education and training?	83.11	83–23
How do I classify obligations for real property (space, land, and structures)?	83.12	83–23
How do I classify obligations for Federal civilian retirement under CSRS?	83.13	83–24
How do I classify obligations for military retirement?	83.14	83–25
How do I classify intragovernmental transactions?	83.15	83–26
How do I classify obligations under the Intergovernmental Personnel Act (IPA)?	83.16	83–27
How is object class information presented in MAX schedule O and the Appendix?	83.17	83–28
When I report data in MAX schedule O will it generate subtotals or totals?	83.18	83–29
Summary of object class codes and standard titles (MAX schedule O)	Ex–83A	83–30
Object classification–without allocation accounts	Ex–83B	83–31
Object classification–with allocation accounts	Ex–83C	83–32
Section 84—Character classification (MAX schedule C)		
What is the purpose of the character classification system?	84.1	84–1
What terms do I need to know?	84.2	84–1
What do I need to know about reporting the data and and relationships with other data requirements?	84.3	84–3
How do I report character classification in MAX?	84.4	84–5
Summary of character classification codes (MAX schedule C)	Ex–84A	84–14
Research and development character classification codes	Ex–84B	84–15
Section 86—Other MAX data		
What do I need to know about the personnel summary (schedule Q)?	86.1	86–1
What do I need to know about financial statements (schedules E and F)	86.2	86–3
What do I need to know about budget plans (schedule D)?	86.3	86–11
What do I need to know about reporting budget year appropriations requests in thousands of dollars (schedule T)?	86.4	86–12
What do I need to know about the schedule on the status of funds (schedule J)?	86.5	86–12
What do I need to know about the schedule on unavailable collections (schedule N)?	86.6	86–17
What do I need to know about the schedule on the status of contract authority (schedule I)?	86.7	86–20
What do I need to know about the summary of budget authority and outlays?	86.8	86–22
Financial statements—statement of operations (MAX schedule E)	Ex–86A	86–24
Financial statements—balance sheet (MAX schedule F)	Ex–86B	86–25
Budget year appropriations request in thousands of dollars (MAX schedule T)	Ex–86C	86–26
Section 95—Budget Appendix and print materials		
What is the budget *Appendix?*	95.1	95–1
How is the *Appendix* organized?	95.2	95–1
How is the "Detailed Budget Estimates" section organized?	95.3	95–2
What do I need to know about the print materials published in the *Appendix*?	95.4	95–3
What is the process for getting print materials published in the *Appendix*?	95.5	95–4
How do I revise galley proofs and submit new print materials?	95.6	95–5
Revising galley proofs	Ex–95	95–8

Title	*Sec./Ex. No.*	*Page*
Section 96—Appropriations language		
What do I need to know about appropriations language in general?	96.1	96–1
What format should I use when submitting appropriations language?	96.2	96–1
How do I make changes in language and amounts?	96.3	96–3
What supporting statutory references must I provide?	96.4	96–3
What are the special appropriations language requirements for credit programs?	96.5	96–4
What are the special language requirements for programs that disburse over a period longer than five fiscal years?	96.6	96–5
What do I need to know about explanations of appropriations language?	96.7	96–5
Appropriations language	Ex–96A	96–6
General provisions	Ex–96B	96–7
Section 97—Narrative statements, footnotes, and tables		
What is the purpose of narrative statements?	97.1	97–1
Must I prepare a narrative statement for every account?	97.2	97–1
How should I write the narrative statements?	97.3	97–1
What should narrative statements say about performance goals and indicators?	97.4	97–2
How do I get narrative statements into print?	97.5	97–2
Are there specific requirements for narrative statements in certain cases?	97.6	97–2
What do I need to know about footnotes and tables?	97.7	97–5
Analysis of programs financed by multiple budget accounts	Ex–97	97–6
Section 100—Revised and additional information required after final budget Decisions		
What information must I provide after final budget decisions?	100.1	100–1
What materials must I provide in support of baseline estimates?	100.2	100–1
What information must I provide on grants to State and local governments?	100.3	100–2
What information must I provide on motor vehicles?	100.4	100–2
What information must I provide on relocation expenses?	100.5	100–3
What information must I provide on international travel?	100.6	100–4
IV. APPENDICES		
Scorekeeping guidelines	Appendix A	A–1
Scoring lease-purchases and leases of capital assets	Appendix B	B–1
Listing of OMB agency/bureau and Treasury codes	Appendix C	C–1
Explanation of MAX edit checks	Appendix D	D–1
Diagnostic reports	Appendix E	E–1
BEA questions and problems report (BEACK01)	Ex–E1	E–2
Total FTE employment: approved estimates vs. schedule Q (CKFTE)	Ex–E2	E–3
FTE employment: average salaries (CKFTEOBS)	Ex–E3	E–4
Suspected receipt estimating problems (CKRCPTS)	Ex–E4	E–5
Reconciliation of program and financing schedule transfers (TRANSFER)	Ex–E5	E–6
Policy and baseline agency/category account detail report–mandatory estimates (BEACAT)	Ex–E6	E–7
PART 3—SELECTED ACTIONS FOLLOWING TRANSMITTAL OF THE BUDGET		
Section 110—Supplementals and amendments		
How does the President propose changes in the budget in between his annual transmittals of the budget?	110.1	110–1
What are supplementals and amendments?	110.2	110–2
What do I need to send to OMB?	110.3	110–2

Title	*Sec./Ex. No.*	*Page*
What do I need to send to Congress?	110.4	110–4
Supplemental requests–appropriations language	Ex–110A	110–5
Budget amendments–appropriations language	Ex–110B	110–7
Supplemental requests and budget amendments—program and financing Schedule	Ex–110C	110–9
Section 111—Releases of contingent emergency funding		
What are releases of contingent emergency funding?	111.1	111–1
How do I request a release?	111.2	111–1
Releasing contingent emergency funding	Ex–111	111–2
Section 112—Rescission proposals and deferrals		
What do I need to know about rescission proposals and deferrals (impoundments)?	112.1	112–2
What is an impoundment?	112.2	112–2
When are funds deferred or proposed for rescission withheld from obligation?	112.3	112–2
What materials are sent to Congress?	112.4	112–3
When do I need to submit material to OMB?	112.5	112–3
What materials do I submit for inclusion in a special message for a rescission proposal?	112.6	112–3
What materials do I submit for inclusion in a special message for a deferral?	112.7	112–4
What narrative information do I need to include with rescission or deferral reports?	112.8	112–4
What am I required to do when a previously reported deferral or rescission proposal changes?	112.9	112–5
What information is required for the supplementary report?	112.10	112–5
What are the responsibilities of OMB in preparing special messages?	112.11	112–6
What should I do to help OMB prepare cumulative reports?	112.12	112–6
What are my responsibilities after a deferral is reported to Congress?	112.13	112–6
What apportionment action is required when a rescission is enacted?	112.14	112–6
What apportionment action is required when a rescission is not enacted?	112.15	112–7
What apportionment action is required when a deferral is disapproved?	112.16	112–7
How do I treat proposals to lower limitations on trust or revolving funds?	112.17	112–7
What do I include on the different lines of the rescission, deferral, and supplementary reports?	112.18	112–8
How do I reflect the deferral or the proposed rescission on the SF132?	112.19	112–10
Rescission report—sample rescission proposal	Ex–112A	112–12
Apportionment or reapportionment request for rescission proposal reported in exhibit 112A	Ex–112B	112–13
Deferral report	Ex–112C	112–14
Apportionment or reapportionment request for deferral reported in exhibit 112C	Ex–112D	112–15
Revised deferral report—revision of deferral reported in exhibit 112C	Ex–112E	112–16
Apportionment or reapportionment request for revised deferral reported in exhibit 112E	Ex–112F	112–18
Apportionment or reapportionment request for deferral reported in exhibits 112C–F overturned by Congress	Ex–112G	112–19
Apportionment or reapportionment request for congressionally-initiated deferral for account illustrated in exhibit 121C	Ex–112H	112–20

PART 4—INSTRUCTIONS ON BUDGET EXECUTION

I. APPORTIONMENT AND REAPPORTIONMENTS

Title	*Sec./Ex. No.*	*Page*
Section 120—Apportionment/reapportionment process		
What is an apportionment?	120.1	120–1
What is the purpose of the apportionment process?	120.2	120–3
What types of resources are apportioned by OMB?	120.3	120–3
Are all apportionments based on the authority to incur obligations?	120.4	120–3
What accounts are apportioned?	120.5	120–3
What accounts are not apportioned?	120.6	120–3
Are apportionments always at the Treasury fund account level?	120.7	120–4
What categories does OMB use to apportion funds	120.8	120–4
Will OMB apportion funds for periods longer than one fiscal year?	120.9	120–4
How do I display funds that are not currently needed?	120.10	120–5
How do I request changes in the level of time periods of an apportionment?	120.11	120–5
Do unobligated resources apportioned in earlier time periods of the same fiscal year remain available?	120.12	120–5
Must I request that funds apportioned in one fiscal year be apportioned in the next fiscal year if the funds were not obligated and remain available?	120.13	120–5
What is the status of previously approved apportionments when a new apportionment is approved, either in the same or a subsequent fiscal year?	120.14	120–6
What is the status of an apportionment that has been approved before the beginning of a new fiscal year for a program covered by a continuing resolution?	120.15	120–6
What transactions will be covered by apportionments approved after a continuing resolution has been replaced by an enacted appropriation?	120.16	120–6
Can I use an apportionment to resolve legal issues about the availability of funds?	120.17	120–6
How does OMB indicate its approval or disapproval of comments on the apportionment?	120.18	
Who is responsible for preparing the apportionment request for allocation (transfer appropriation) accounts?	120.19	120–6
Must I include a footnote regarding the one percent apportionment requirement to cover obligations in the canceled phase?	120.20	120–6
Why must I base my apportionment/reapportionment requests on financial plans?	120.21	120–7 120–7
Will I show the same level of detail in my financial plan from year-to-year?	120.22	120–7
Do I need to explain how I developed my financial plan?	120.23	120–7
What supporting data should I include with the apportionment request?	120.24	120–7
Will OMB request FTE plans to support the apportionment request?	120.25	120–7
What format is used for the apportionment request?	120.26	120–7
Can I combine accounts on the apportionment?	120.27	120–8
Will comments and attachments become part of the apportionment?	120.28	120–8
When are initial apportionments due at OMB?	120.29	120–8
Who can sign the apportionment request?	120.30	120–8
How many copies should I submit?	120.31	120–9
Should I assemble apportionment requests for multiple accounts in a single package?	120.32	120–9
How can I expedite OMB approval of my apportionment request?	120.33	120–9
How will OMB indicate its approval of my apportionment request?	120.34	120–9
What program changes will require that I submit a reapportionment request to OMB?	120.35	120–10

Title	*Sec./Ex. No.*	*Page*
What adjustments can I make without submitting a reapportionment request?	120.36	120–10
How do I treat automatic adjustments on subsequent reapportionment requests?	120.37	120–11
When do I submit requests anticipating the need for supplemental authority?	120.38	120–11
How do I apportion foreign currency fund (FT) accounts?	120.39	120–12
How are funds appropriated to the President distributed to agencies?	120.40	120–12
Sample FTE plan	Ex–120	120–13
Section 121—SF132, Apportionment and Reapportionment Schedule		
How is the SF 132 organized?	121.1	121–1
What apportionment formats are available?	121.2	121–2
Will all apportioned amounts be shown on these two formats?	121.3	121–2
How do I complete the excel spreadsheet to prepare the SF 132?	121.4	121–3
How do I complete the excel spreadsheet to prepare the letter apportionment?	121.5	121–5
Can you explain a reappropriation of expiring funds and its treatment on the SF 132, the SF 133, and the Budget?	121.6	121–7
What amounts should I allot?	121.7	121–8
One year appropriation—initial apportionment	Ex–121A	121–9
No-year appropriation—initial apportionment	Ex–121B	121–10
No-year appropriation—reapportionment	Ex–121C	121–11
One-year appropriations under continuing resolution	Ex–121D	121–12
Appropriations and unobligated balances under continuing resolution	Ex–121E	121–13
Reapportionment following a continuing resolution	Ex–121F	121–14
Public enterprise (revolving) or intragovernmental (revolving) fund—Reapportionment	Ex–121G	121–15
Trust fund limitation	Ex–121H	121–16
Negative amount due to reduced unobligated balance	Ex–121I	121–17
Multiple-year account—apportionment in two fiscal years	Ex–121J	121–18
Trust fund with contract authority, appropriation to liquidate contract authority, and obligation limitation	Ex–121K	121–19
Trust fund (or special fund) with collections precluded from obligation	Ex–121L	121–20
SF132 format	Ex–121M	121–21
Letter apportionment format	Ex–121N	121–22
Section 122—Investment transactions for budget execution		
Where should I go for a broader understanding of investment transactions?	122.1	122–1
How do I treat an investment in a Federal security on an SF 133?	122.2	122–1
How do I treat the redemption of a Federal security on an SF 133?	122.3	122–1
How do I treat investments in securities issued by non-Federal entities on an SF133?	122.4	122–2
Investment in Federal securities at a discount—all accounts	Ex–122A	122–3
Investment in Federal Securities at a Premium—general fund appropriation or revolving fund accounts	Ex–122B	122–4
Federal security purchased at a discount and sold or redeemed at par—general fund appropriation or revolving fund accounts.	Ex–122C	122–5
Federal security purchased at a discount and sold or redeemed at p—special or trust fund accounts (excluding trust revolving funds)	Ex–122D	122–6
Section 123—Apportionments under continuing resolutions		
What is a continuing resolution?	123.1	123–1
How do I determine the amount available for obligation under a continuing resolution?	123.2	123–1
Do the amounts made available for obligation remain available after a continuing resolution expires?	123.3	123–2

Title	*Sec./Ex. No.*	*Page*
Does the continuing resolution limit the purposes for which funds may be obligated?	123.4	123–2
Am I required to submit an apportionment request while I am funded by a continuing resolution?	123.5	123–2
Are my credit programs funded under a continuing resolution?	123.6	123–3
Do I need to request a reapportionment after my regular appropriation is enacted?	123.7	123–3
Will my regular appropriations cover obligations made during the continuing resolution?	123.8	123–3
Section 124—Agency operations in the absence of appropriations		
What types of actions may my agency conduct during a funding hiatus?	124.1	124–1
What plans should my agency make in anticipation of a funding hiatus?	124.2	124–1
When should my agency shutdown plans be implemented?	124.3	124–2
II. BUDGET EXECUTION REPORTS		
Section 130—SF 133 Report on budget execution and budgetary resources		
What is the purpose of the SF 133 and how is it organized?	130.1	130–2
What are the general requirements for submitting SF 133s?	130.2	130–2
How do I report budgetary resources?	130.3	130–4
How do I report the status of budgetary resources?	130.4	130–4
How do I report the relation of obligations to outlays?	130.5	130–4
What should I report during the expired phase?	130.6	130–4
How do I report adjustments to expired accounts?	130.7	130–5
What must I do when I have extended disbursement authority?	130.8	130–6
How do I report expired accounts that are being closed?	130.9	130–6
What disbursements can I make during the canceled phase?	130.10	130–7
How do I submit non-standard reports?	130.11	130–7
How do I report lower levels of detail?	130.12	130–8
How do I submit an SF 133 for allocation accounts?	130.13	130–8
How do I submit an SF 133 for credit accounts?	130.14	130–8
How do I ensure that my actuals are consistent?	130.15	130–9
Annual account—September 30 report	Ex–130A	130–11
Annual account with reimbursements—September 30 report	Ex–130B	130–12
No-year account—quarterly report	Ex–130C	130–13
Multi-year account apportioned for two fiscal years	Ex–130D	130–14
Public enterprise (revolving) or intragovernmental (revolving) fund—quarterly Report	Ex–130E	130–15
Annual report—advance appropriation	Ex–130F	130–16
Annual account—reappropriation	Ex–130G	130–17
Chart of SF 133 general requirements	Ex–130H	130–18
SF 133 outlay formula	Ex–130I	130–19
Crosswalk from the SF 133 to the Treasury Combined Statement	Ex–130J	130–20
Crosswalk from the SF 133 to the budget p&f schedule	Ex–130K	130–21
Trust fund (or special fund) with collections precluded from obligation	Ex–130L	130–25
Relationship between selected SF 133 and budget program and financing schedule lines (in millions of dollars)	Ex–130M	130–26
III. OTHER REPORTS		
Section 135—Procedures for monitoring Federal outlays		
What is the purpose for these procedures?	135.1	135–1

Title	*Sec./Ex. No.*	*Page*
Who is required to submit a plan?	135.2	135–1
What are the general reporting requirements?	135.3	135–2
What are the reporting requirements for large transactions?	135.4	135–2
What are the requirements for investment account reporting?	135.5	135–3
What are the requirements for financing account reporting?	135.6	135–4
What are the requirements for asset sale reporting?	135.7	135–6
What are the responsibilities of OMB and the Treasury Department?	135.8	135–6
When do I submit reports?	135.9	135–7
Reports on outlays—agency and program coverage	Ex–135A	135–8
Reports on outlays—initial report	Ex–135B	135–10
Investment account reporting format	Ex–135C	135–11
Financing accounting reporting format	Ex–135D	135–12
Asset sales reporting format	Ex–135E	135–13
Section 140—Reports on unvouchered expenditures		
What are unvouchered expenditures?	140.1	140–1
Are there any exemptions?	140.2	140–1
What is the basis for coverage?	140.3	140–1
What are the requirements for submission?	140.4	140–1
What are OMB's responsibilities?	140.5	140–2
List of accounts containing unvouchered expenditures	Ex–140	140–3
Section 145—Requirements for reporting Antideficiency Act violations		
What is the Antideficiency Act?	145.1	145–1
What violations must I report?	145.2	145–2
How do the requirements for reporting violations differ for credit programs?	145.3	145–2
Do the requirements for reporting violations differ for revolving funds?	145.4	145–3
Do the requirements for reporting violations differ for closed and expired accounts?	145.5	145–3
How do I report a violation?	145.6	145–3
What if the GAO reports a violation?	145.7	145–4
What if OMB suspects a violation?	145.8	145–4
Antideficiency Act violation sample letter to the Director	Ex–145A	145–6
Antideficiency Act violation sample letter to the President	Ex–145B	145–7
Section 150—Administrative control of funds		
Why must my agency have a fund control system?	150.1	150–1
What is the purpose of my agency's fund control system?	150.2	150–1
What is the relationship among my agency's management controls, its internal controls, and its fund controls?	150.3	150–1
What is the relationship between my agency's financial management system and its fund control system?	150.4	150–2
What is the U.S. Standard General Ledger (SGL) and how does it relate to my agency's financial management system?	150.5	150–2
What are Federal Financial Management Systems requirements and how are they related to my agency's fund control systems?	150.6	150–3
When and how should I get OMB approval of my agency's fund control regulations?	150.7	150–3
III. APPENDICES		
Format of SF 132 and SF 133	Appendix F	F–1
Crosswalk between Antideficiency Act and Title 31 of the U.S. Code	Appendix G	G–1

Title	*Sec./Ex. No.*	*Page*
Checklist for fund control regulations	Appendix H	H–1
List of FACTS II reporting providers	Appendix I	I–1
PART 5—FEDERAL CREDIT PROGRAMS		
Section 185—Federal credit		
Does this section apply to me?	185.1	185–3
What background information must I know?	185.2	185–3
What special terms must I know?	185.3	185–5
Are there special requirements for reporting Antideficiency Act violations?	185.4	185–13
How do I calculate the subsidy estimate?	185.5	185–13
How do I calculate reestimates?	185.6	185–15
How do I calculate and record modifications?	185.7	185–21
What must I know about the sale of delinquent loan assets?	185.8	185–25
What are the budget formulation reporting requirements for credit accounts?	185.9	185–27
What do I report for program accounts?	185.10	185–28
What do I report for financing accounts?	185.11	185–34
What do I report for liquidating accounts?	185.12	185–42
What do I report for receipt accounts?	185.13	185–42
Must credit accounts be apportioned?	185.14	185–42
When do I submit an apportionment request (SF 132)?	185.15	185–42
How do I fill out the SF 132?	185.16	185–43
Do amounts for an upward reestimate (and the interest on the reestimate) need to be apportioned?	185.17	185–44
Do amounts for a downward reestimate (and the interest on the reestimate) need to be apportioned?	185.18	185–44
Do amounts for interest payments to Treasury need to be apportioned?	185.19	185–45
Do amounts for debt repayments to Treasury need to be apportioned?	185.20	185–45
How do I handle modifications?	185.21	185–45
Am I required to submit budget execution reports (SF 133)?	185.22	185–45
How do I fill out the SF133?	185.23	185–45
How do I calculate the initial subsidy cost estimate for execution?	185.24	185–46
What transactions do I report when the Government incurs direct loan obligations or makes loan guarantee commitments?	185.25	185–46
What transactions do I report when the Government disburses a direct loan or a private lender disburses a guaranteed loan?	185.26	185–47
How do I handle non-subsidy cost collections?	185.27	185–47
What transactions do I report when a guaranteed loan defaults?	185.28	185–48
What should I do with unobligated balances in the liquidating account?	185.29	185–49
How do I report modifications of post-1991 direct loans and loan guarantees?	185.30	185–49
How do I report modifications of pre-1992 direct loans and loan guarantees?	185.31	185–50
Why do financing accounts borrow from Treasury?	185.32	185–51
Why do financing accounts earn interest?	185.33	185–51
Who calculates interest expense and income?	185.34	185–52
When do I calculate interest expense and income?	185.35	185–52
What interest rate do I use to calculate interest expense and income?	185.36	185–52
Program account, program and financing schedule (schedule P)	Ex–185A	185–53
Program account, summary of loan levels and subsidy data (schedule U)	Ex–185B	185–54
Direct loan financing account, program and financing schedule (schedule P)	Ex–185C	185–55
Direct loan financing account, status of direct loans (schedule G)	Ex–185D	185–56
Direct loan financing account, balance sheet (schedule F)	Ex–185E	185–57

Title	*Sec./Ex. No.*	*Page*
Guaranteed loan financing account, program and financing schedule (schedule P)	Ex–185F	185–58
Guaranteed loan financing account, status of guaranteed loans (schedule H)	Ex–185G	185–59
Guaranteed loan financing account, balance sheet (schedule F)	Ex–185H	185–60
Liquidating account, program and financing schedule (schedule P)	Ex–185I	185–61
Liquidating account, status of direct loans (schedule G)	Ex–185J	185–62
Liquidating account, status of guaranteed loans (schedule H)	Ex–185K	185–63
Liquidating account, balance sheet (schedule F)	Ex–185L	185–64
Standard Appropriations Language	Ex–185M	185–65
Initial apportionment—Program account	Ex–185N	185–66
Initial apportionment—Direct loan financing account	Ex–185O	185–67
Initial apportionment—Guaranteed loan financing account	Ex–185P	185–68
Initial apportionment—Side-by-side account comparison	Ex–185Q	185–69
Reapportionment for modification—Program account	Ex–185R	185–72
Reapportionment for upward reestimate—Program account	Ex–185S	185–73
Reapportionment for downward reestimate—Direct loan financing account	Ex–185T	185–74
End of first quarter—Program account, report on budget execution	Ex–185U	185–75
End of first quarter—Direct loan financing account, report on budget execution	Ex–185V	185–76
End of first quarter—Guaranteed loan financing account, report on budget Execution	Ex–185W	185–77
Budget execution reporting—End of first quarter side-by-side account Comparison	Ex–185X	185–78
End of fiscal year—Program account, report on budget execution	Ex–185Y	185–83
End of fiscal year—Direct loan financing account, report on budget execution	Ex–185Z	185–84
End of fiscal year—Guaranteed loan financing account, report on budget Execution	Ex185AA	185–85
Budget execution reporting—End of fiscal year, side-by-side account Comparison	Ex–185BB	185–86

PART 6—PREPARATION AND SUBMISSION OF STRATEGIC PLANS, ANNUAL PERFORMANCE PLANS, AND ANNUAL PROGRAM PERFORMANCE REPORTS

Section 200—Overview of strategic plans, annual performance plans, and ... annual program performance reports

Overview	200.1	200–1
Definitions	200.2	200–2
Applicability	200.3	200–3

Section 210—Preparing a strategic plan: the main elements

Introduction	210.1	210–2
Comprehensive mission statement	210.2	210–3
General goals and objectives	210.3	210–3
Describing how the general goals will be achieved	210.4	210–6
Relationship between goals in the annual performance plan and goals in a strategic plan	210.5	210–7
Key factors affecting achievement of general goals	210.6	210–8
Program evaluations and strategic plans	210.7	210–8
Section 3 of the Government Performance and Results Act	Ex–210	210–10

Title	*Sec./Ex. No.*	*Page*
Section 211—Preparing a strategic plan: format and other features		
Format and other content	211.1	211–1
Program coverage in a strategic plan	211.2	211–4
Time period covered by a strategic plan	211.3	211–4
Relationship to submission of annual performance plans	211.4	211–5
Section 212—Submission of strategic plans		
Timing of strategic plan submission	212.1	212–1
Consultation and outreach	212.2	212–2
Transmittal of plans to Congress and OMB	212.3	212–3
Section 213—Making interim adjustments to a strategic plan		
Preparation and transmittal of interim adjustments	213.1	213–1
Section 220— Preparation of annual performance plans: the main elements		
Introduction and plan iterations	220.1	220–2
Main elements of an annual performance plan	220.2	220–4
General guidelines for developing performance goals and indicators	220.3	220–4
Description of means and strategies, and identifying required resources	220.4	220–9
Verification and validation	220.5	220–12
Agency requests for use of alternative form(s) of measurement	220.6	220–13
Agency requests to waive the requirement for performance goals	220.7	220–14
Revised final annual plan	220.8	220–15
Section 4(b) of the Government Performance and Results Act	Ex-220	220–17
Section 221— Budget performance integration		
Basic requirements for alignment and coverage	221.1	221–1
Guidelines on future alignment and coverage	221.2	221–3
Full cost	221.3	221–5
Reflecting performance occurring in future years or funded by prior Year monies	221.4	221–6
Availability of detailed performance information	221.5	221–7
Examples of schedules and informational tables for the budget	Ex–221	221–8
Section 222—Preparing an annual performance plan: format and other features		
Other elements and general guidelines for content	222.1	222–1
Format and additional content	222.2	222–2
Single annual performance plan	222.3	222–4
Relationship to strategic plan	222.4	222–4
Classified or other appendices not available to the public	222.5	222–6
Section 223—Submission of annual performance plans		
Timing of plan submissions and submitting official	223.1	223–1
Clearance and public availability of the annual performance plan	223.2	223–2
Section 224—The FY 2004 performance plan		
Annual performance plan for fiscal year 2004	224.1	224–1
Fiscal year coverage of the FY 2004 plan	224.2	224–3
Display of performance goals in the FY 2004 performance plan	224.3	224–4

Title	*Sec./Ex. No.*	*Page*
Section 225—"Getting to Green": the President's Management Agenda Initiative on integrating budget and performance		
The President's Management Agenda and the budget-performance Integration initiative	225.1	225–1
The standards for getting to green on budget performance integration	225.2	225–1
Integrating budget and performance: getting to green	Ex–225	225–2
Section 230—Preparation and submission of the annual program Performance report		
The purpose of the annual program performance report	230.1	230–2
Relationships between the annual performance report and the strategic Plan, the annual performance plan, and the accountability report	230.2	230–2
Section 4(b) of the Government Performance and Results Act	Ex–230	230–6
Section 231—What does the annual program performance report contain?		
Required elements of an annual program performance report	231.1	231–2
Comparing actual performance to the performance goal target levels	231.2	231–2
Unavailability of actual performance information	231.3	231–4
Providing an explanation for non-achievement of a performance goal	231.4	231–5
Agency plans and schedules for achieving an unmet goal in the future	231.5	231–6
Evaluating performance levels in the current year performance plan relative to actual performance during the past fiscal year	231.6	231–7
Assessing the completeness and reliability of performance data	231.7	231–8
Including trend data in the annual program performance report	231.8	231–9
Other features of the annual program performance report	231.9	231–10
Format	231.10	231–12
Section 232—Sending the annual program performance report to the President and Congress		
Sending the annual program performance report to the President and Congress	232	232–1
PART 7—PLANNING, BUDGETING, ACQUISITION, AND MANAGEMENT OF CAPITAL ASSETS		
Section 300—Planning, budgeting, acquisition, and management of capital assets		
What is the purpose of this section?	300.1	300–1
Does this section apply to me?	300.2	300–2
What background information must I know?	300.3	300–2
What special terms must I know?	300.4	300–2
How will agencies manage capital assets?	300.5	300–6
How are capital asset acquisitions funded?	300.6	300–7
What is exhibit 300 and how is it organized?	300.7	300–7
What other requirements does exhibit 300 fulfill?	300.8	300–9
What must I report on exhibit 300 and when?	300.9	300–9
How will OMB evaluate the business cases in the exhibits 300?	300.10	300–11
What additional information should I know?	300–11	300–16
Capital asset plan and business case (all assets)	Ex–300	300–17

Title	*Sec./Ex. No.*	*Page*
APPENDICES		
Principles of budgeting for capital asset acquisitions	App–300A	300-27
Selected OMB guidance and other references regarding capital assets	App–300B	300-33
PART 8—MANAGING FEDERAL ASSETS		
Section 800—Managing physical and financial assets		
Introduction	800.1	800–1
What special terms must I know?	800.2	800–1
What is the purpose of this section?	800.3	800–1
Does this section apply to me?.	800.4	800–2
What are the measures for physical asset management?	800.5	800–2
What are the measures for financial asset management?	800.6	800–3
INDEX		
OMB DOCUMENTS AND EXECUTIVE ORDERS REFERENCED IN THIS CIRCULAR		**xxxi**
AGENCY COMMENT SHEET		**xxxiii**

CROSSWALK TO INSTRUCTIONS ON BUDGET EXECUTION PREVIOUSLY INCLUDED IN OMB CIRULAR NO. A–34

Former section in A–34		New section in A–11	
11	Terms and concepts	20	Terms and concepts
12	Spending authority from offsetting collections and transfers	20	Terms and concepts
13	Application of obligations	20	Terms and concepts (section 20.5)
20	Apportionment/reapportionment process	120	Apportionment/reapportionment process (sections 120.1–120.20)
21	Apportionment/reapportionment requests	120	Apportionment/reapportionment process (sections 120.21–120.40)
22	The SF 132, apportionment and reapportionment schedule	121	SF 132, apportionment and reapportionment schedule Appendix F—Format of SF 132 and SF 133 *(includes the descriptions of line entries previously included in section 22.1 of A–34)*
23	Investment transactions	20 122	Terms and concepts (section 20.12) Investment transactions
24	Apportionments under continuing resolutions	123	Apportionments under continuing resolutions
25	Agency operations in the absence of appropriations	124	Agency operations in the absence of appropriations
30	SF 133, report on budget execution and budgetary resources	130	SF 133, report on budget execution and budgetary resources Appendix F—Format of SF 132 and SF 133 *(includes the descriptions of line entries previously included in sections 30.3, 30.4, and 30.5 of A–34)*
40	Requirements for reporting Antideficiency Act violations	145	Requirements for reporting Antideficiency Act violations
50	Administrative control of funds	150	Administrative control of funds
60	The rescission and deferral process	112	Rescission proposals and deferrals (sections 112.2–112.17)
61	Preparing a rescission, deferral, or supplementary report	112	Rescission proposals and deferrals (sections 112.18–112.19)
70	Federal credit programs	185	Federal credit (sections 185.1, 185.3–185.4,

Former section in A–34		New section in A–11	
			185.14–185.36, exhibits 185M–185BB)
80	Procedures for monitoring Federal outlays	135	Procedures for monitoring Federal outlays
81	Reports on unvouchered expenditures	140	Reports on unvouchered expenditures
APPENDICES			
A	Crosswalk between Antideficiency Act and Title 31 of the U.S. Code—Money and Finance	G	Crosswalk between Antideficiency Act and Title 31 of the U.S. Code—Money and Finance
B	Checklist for fund control regulations	H	Checklist for fund control regulations
C	List of FACTS II reporting providers	I	List of FACTS II reporting providers

GUIDE TO OMB CIRCULAR NO. A–11

What is the purpose of this Circular?

Part 1: Provides an overview of the budget process. Discusses the basic laws that regulate the budget process and the terms and concepts you need to know to understand the budget process and this Circular. (Sections numbered 10 through 22)

Part 2: Covers development of the President's budget and tells you how to prepare and submit materials required for OMB and Presidential review of agency requests and for formulation of the FY 2004 Budget. A significant portion of this part focuses on the preparation of the budget *Appendix* and the related database. (Sections numbered 25 through 100 and appendices A through E)

Part 3: Discusses supplementals, amendments, releases of contingent emergency funding, rescission proposals, and deferrals. (Sections numbered 110 through 112)

Part 4: Provides instructions on budget execution, including guidance on the apportionment and reapportionment process (SF 132), report on budget execution and budgetary resources (SF 133), and a checklist for fund control regulations. (Sections numbered 120 through 140 and appendices F through I)

Part 5: Covers Federal credit programs, including requirements related to the preparation of budget estimates and to budget execution. (Section number 185)

Part 6: Describes requirements of the Government Performance and Results Act and tells you how to prepare and submit strategic plans, annual performance plans, and annual program performance reports. (Sections numbered 200 through 233)

Part 7: Discusses planning, budgeting and acquisition of capital assets, and tells you how to prepare and submit information on new and past acquisitions. (Section number 300 and appendices 300A through 300B)

Part 8: Provides a basic set of performance measures on management of physical and financial assets and require agencies to prepare and submit a self-assessment of how well they manage their assets. (Section number 800)

How do I find information in the Circular?

At the beginning of the Circular there is a table of contents that identifies all the parts, chapters, sections and associated page numbers.

There is also a table of contents at the beginning of each section that identifies the subsections and exhibits contained in that section. We summarize major changes in policies and requirements at the beginning of the Circular. In addition, we describe the changes that affect each section at the beginning of that section and use vertical revision bars in the margins to highlight new requirements and significant changes. At the end of the Circular, there is an index. Following the index, there is a list of OMB circulars, memoranda, and bulletins and Presidential Executive Orders referenced in A–11. OMB circulars, memoranda, and bulletins, including Circular No. A–11, are available for viewing or downloading at the following Internet address:

www.whitehouse.gov/omb

Normally, A–11 is fully revised annually. However, the guidance provided in the revised Circular is usually updated in the fall to reflect changes and clarifications since the full revision. If you are working with a paper copy of A–11 or CD ROM, please check the Internet to make sure you have the latest version and updates.

Presidential Executive Orders are available for viewing or downloading at the following Internet address:

www.nara.gov/fedreg/eo

This year, we have begun to enhance the search capabilities of the internet version of the Circular and added a number of hyperlinks designed to link the various parts of the Circular with each other and with other web sites. We expect it will take a year to complete this process.

Does this Circular apply to me?

This Circular applies to all executive departments and establishments. In addition, some of the requirements apply to the legislative and judicial branches, to the District of Columbia, and to Government-sponsored enterprises.

If you want a modification to the requirements in this Circular, you must get OMB approval in advance.

When are the materials required by this Circular due?

Different materials are due on different dates.

The initial submission of budget justification and other materials required under Part 2 is due ***September 9*** for Cabinet agencies and other agencies subject to executive branch review. Section 25 provides additional information on due dates for materials required in connection with the submission of budget estimates.

Materials required under Part 4 are due as follows:

- Initial apportionments—August 21
- Reapportionments—30 days after enactment of appropriations
- SF 133—quarterly, unless OMB requires a monthly report

How is the Circular organized?

This year's version of the Circular differs from previous years' in that we have integrated the instructions on budget execution formerly included in OMB Circular No. A–34 into A–11. Following the table of contents, there is a table that crosswalks between A–34 and the corresponding sections in A–11.

We have placed related requirements together and presented requirements chronologically, where appropriate. For the most part, instructions related to budget formulation are included in Part 2 and instructions related to budget execution are included in Part 4. Because Federal credit programs cut across formulation and execution and tend to be of interest to a particular audience, those requirements have been consolidated into a separate part (Part 5). Requirements related to strategic plans and performance plans; acquisition of capital assets; and management of physical and financial assets are presented in Parts 6, 7, and 8, respectively.

Parts are divided into chapters. In some cases, the chapters are further divided into subchapters. The information in each chapter is organized into a series of sections that consist of consecutively numbered subsections. Sometimes, related sections are grouped together under unnumbered center headings to help you navigate through the Circular. Section numbers are not repeated between parts. We reserved certain section numbers for future use, so there gaps in the numbering scheme. Page numbers identify the section and page within that section.

Does this Circular supercede Circular No. A–34?

Circular No. A-34 has been rescinded.

What common conventions does this Circular use?

When the Circular refers to a specific year, assume it is a calendar year unless otherwise noted. The following phrases and abbreviations are used to identify specific fiscal years:

Fiscal Year	Description
Past year - 1 (PY-1)	The fiscal year immediately preceding the past year.
Past year (PY)	The fiscal year immediately preceding the current year; the last completed fiscal year.
Current year (CY)	The fiscal year immediately preceding the budget year.
Budget year (BY)	The next fiscal year for which estimates are submitted.
Budget year + 1 (BY+1) *through* budget year + 9 (BY+9)	The fiscal year following the budget year *through* the ninth fiscal year following the budget year.

Special budget terms, such as budget authority, obligations, and outlays, are defined in section 20.

In Part 2, the term ***schedule*** refers to a set of data within the MAX budget database that is complete in itself and describes a view or slice of the President's budget. The data in many of these schedules is printed in the budget *Appendix*, in which case the data in a schedule for a budget account defines a printed table in the *Appendix*. Schedules are described in section 79.

Who can answer questions about the Circular?

The following table lists OMB organizational units with primary responsibility for certain sections of the Circular. Direct general questions on the instructions and underlying concepts to these units. Direct agency-specific questions on the application of these instructions, as well as on sections not listed below, to your OMB program examiner or Resource Management Office.

LIST OF OMB CONTACTS FOR INFORMATION REQUIRED BY OMB CIRCULAR NO. A–11

Section No.	Description	OMB Contact	Telephone No.*
PART 2			
33.9	Agency motor vehicle fleet report	Justice/GSA Branch, Transportation, Commerce, Justice, and Services Division	395–3442
51.11	Justification of unobligated balances in credit liquidating accounts	Budget Concepts Branch, Budget Review and Concepts Division	395–3172
51.13	Information on geospacial data acquisitions	Interior Branch, National Resources Division	395-9180
52.4	Financial management budget justification	Financial Standards Reporting and Management Integrity Branch, Office of Federal Financial Management	395–3993
52.5	Report on resources for financial management activities	Federal Financial Systems Branch, Office of Federal Financial Management	395–3993
53	Information technology	Information Policy and Technology Branch, Office of Information and Regulatory Affairs	395–3785
54	Rental payments for space and land	Justice/GSA Branch, Transportation, Commerce, Justice, and Services Division	395–3442
55	Energy and transportation efficiency management	Energy Branch, Energy, Science, and Water Division	395–3164
56	Information on drug control programs	Transportation, Commerce, Justice, and Services Division	395–4892
57	Information on erroneous payments	Financial Standards Reporting and Management Integrity Branch, Office of Federal Financial Management	395–3993
58	Information on overseas staffing	State, USIA Branch, International Affairs Division	395–1483
84	Additional data on research and development	Science and Space Branch, Energy, Science, and Water Division	395–3935
100.3	Information on grants to State and local governments	Budget Analysis Branch, Budget Analysis and Systems Division	395–3945
100.4	Information on motor vehicles	Budget Concepts Branch, Budget Review and Concepts Division	395–3172
100.5	Information on relocation expenses	Budget Concepts Branch, Budget Review and Concepts Division	395–3172
100.6	Information on international travel	Budget Concepts Branch, Budget Review and Concepts Division	395–3172

Section No.	Description	OMB Contact	Telephone No.*
PART 6	Strategic plans, annual performance plans, annual program performance reports	Budget Concepts Branch, Budget Review and Concepts Division	395–3172
PART 7	Planning, budgeting, acquisition, and management of capital assets	Budget Analysis Branch, Budget Analysis and Systems Division	395–3945
—	MAX A–11 User's Guide	Budget Systems Branch, Budget Analysis and Systems Division	395–6934

*Area code is 202

SUMMARY OF CHANGES

Note: *Vertical revision bars "│" are used in the margin of the Circular to highlight new requirements and significant changes.*

Section No.	Change
10.6	Includes information on Mid-Session Review previously included in section 112.
10.8–10.3	Expands the description of the budget process and describes the functions of the central financial agencies.
15	Covers the entire budget cycle and includes law governing congressional action on the budget and budget execution.
20	Incorporates terms and concepts previously included in A–34
20.3–20.4	Clarifies definitions of cost, budget authority, and obligated balances
20.7	Replaces the concept of user fees with the broader concept of user charges.
20.11	Expands the discussion of accounts.
22	Renumbers former section 36 (Communications with Congress and the public and clearance requirements).
22.5	Clarifies guidance related to making information available to the public.
22.6	Includes information on congressional budget justification materials previously included in section 112.
30.4	Emphasizes that agencies should use existing personnel to the maximum extent as part of their strategy to meet the President's Management Agenda.
30.5	Clarifies guidance on making unit cost comparisons.
31.2	Drops guidance related to customer service.
31.2	Reminds agencies to include resources for environmental management systems in their funding requests.
32.5	Updates information related to calculating the Government's full share of pensions and post-retirement health benefits for Federal employees.
33.9	Requires agencies to report on the size, composition, and annual cost of their motor vehicle fleets.
33.27–33.30	Includes guidance on proposals requiring coordination with other agencies previously included in section 34.
51.11–51.12	Includes requirements related to changes in receipts estimates and unobligated balances in liquidating accounts previously included in section 58.
51.13	Requires agencies to report on geospacial data acquisitions greater than $1 million.
52.4	Requires that budget justifications align with the President's Management Agenda, Federal e-government initiatives, and enterprise architecture.
52.4	Requires that financial management plans address impediments to improving financial performance, especially items identified in the Executive Branch Management Scorecard.
52.4	Modifies information required for E-Grants and requires agencies to report on participation in the government-wide e-grants initiative.

Section No.	Change
52.6	Eliminates the requirement to report on asset management in exhibit 52A.
52.7	Requires agencies to prepare plans for eliminating material weaknesses and noncomformances and provides a new reporting format (exhibit 52B) for tracking progress.
53.2	Adds directions for linking IT investments to the President's Management Agenda and "getting to green" on the scorecard for expanding e-government.
53.7	Requires agencies to identify IT investments that support Homeland Security.
55	Requires agencies to report on funding requested for energy efficiency management and transportation efficiency management as required by Executive Orders 13123 and 13149; most of the information previously collected by this section will be continue to be collected electronically by the Department of Energy.
57.3	Requires agencies to use a standard electronic reporting format to submit erroneous payment information and changes some reporting fields.
57.3	Requires agencies to report on the status of passback and Executive Branch Management Scorecard items.
57.3	Requests information on initiatives to reduce erroneous payments.
58	Drops the requirement for information on Inspectors General for designated Federal entities.
58	Requires agencies with personnel assigned to overseas to report on staffing levels and support costs.
71.1	Includes information on reporting level of detail previously included in section 70.2
80.3	Clarifies the treatment of accounts with negative budget authority.
81.3	Adds BEA data classification subcategories for homeland security and overseas combating terrorism.
82.2	Requires at least one detail line in the obligations by program activity section of the program and financing schedule.
82.3	Clarifies the treatment of cash refunds in special and trust funds
82.3	Drops the line entries for emergency appropriations and proceeds of loan asset sales with recourse.
82.3–82.4	Eliminates separate balance entries for contract authority.
82.4–82.5	Automatically generates total outlays (gross) based on data reported in schedule A.
82.20	Requires total obligations and obligated and unobligated balances reported in schedule P to tie to amounts reported in FACTS II.
83.7	Adds a new object class for expenditure transfers between trust funds and Federal funds that do not benefit the transferring account.
83.7	Clarifies that obligations for personnel compensation and benefits of the commissioned corps should be designated as military.
84.3	Collects budget authority and outlays net of offsetting collections.
84.4	Drops the R&D crosscut on partnership for a new generation of vehicles.
100.2	Drops the requirement for a summary bridge table between the current year baseline estimates and the budget year baseline estimates.

Section No.	Change
100.3	Requires State-by-State information for significantly few major programs than in past years for a new discussion that will replace the former Budget Information for States report.
Appendix B	Explains how budget authority should be calculated for leases that provide for multiple deliveries of the leased items over a period of years.
Appendix E	Drops the exhibits that crosswalk between schedules P, N, and J and between schedule P, the SF 133, and the Treasury Annual Report.
112	Includes information on rescissions and deferrals previously included in A–34.
120	Includes information on the apportionment and reapportionment process previously included in A–34.
120.34	Advises agencies that the original apportionment is the copy of the electronic apportionment printed out by OMB and signed by the OMB approving official.
121	Includes information on the SF 132 (Apportionment and Reapportionment Schedule) previously included in A–34.
122	Includes information on investment transactions previously included in A–34.
123	Includes information on apportionments under continuing resolutions previously included in A–34.
135	Includes information on procedures for monitoring Federal outlays previously included in A–34.
135.5	Updates requirements for investment account reporting.
140	Includes information on reports on unvouchered expenditures previously included in A–34.
Appendix G	Includes a crosswalk between the Antideficiency Act and Title 31 of the U.S. Code previously included in A–34.
Appendix H	Includes a checklist for fund control regulations previously included in A–34.
185	Renumbers former section 85 (Federal Credit) and includes information on Federal credit previously included in A–34.
210	Requires agencies to submit a draft strategic plan to OMB by March 1, 2003. This plan will be used to define the strategic objectives and outcome goals for the FY 2005 budget integration of performance and budget.
210	Advises agencies that the strategic plan's long-term goals are to include those being used in assessments of program effectiveness.
220	Requires that agency annual plans include performance goals being used in assessments of program effectiveness and, for selected agencies, the goals being used in the common measures initiative.
221	Encourages agencies to undertake a restructuring of their current budget accounts and to substitute outputs and outcomes for the current listings of program activities in the program and financing schedules of the budget.
221	Establishes guidelines for integrating performance and budget in annual performance plans and outlines OMB's intention to present informational tables aligning resources and performance for all agency programs in the FY 2005 Budget. These informational tables would appear in the FY 2004 Budget for those programs covered by the current assessments of program effectiveness.

Section No.	Change
221	Requires agencies whose programs are covered in the CY 2002 assessments of program effectiveness to align resources, on a full cost basis, with the outcomes and outputs for those programs.
224	Specifies that six years of performance information be included in the annual performance plan, covering four years of past trend data, the current year, and the budget year.
225	Summarizes the criteria and indicators for "getting to green" for the budget-performance integration initiative.
230	Requires the cabinet departments and ten major independent agencies to combine the FY 2002 performance report with the FY 2002 accountability report and transmit the combined document to the President, Congress, and OMB by February 1, 2003. All other agencies are to submit the FY 2002 performance report by February 27, 2003.
231	Requires that the FY 2002 performance report include four years of actual performance data, covering fiscal years 1999–2002.
300	Renames exhibit 300, "Capital Asset Plan and Business Case."
300	Provides details on risk identification and assessment, project and funding plan, and section 508 compliance to part I.
300	Adds requirement of earned value management system and ANSI/EIA standard 748.
300	Adds questions about cyber-security and homeland security to the beginning section of exhibit 300.
300	Moves the questions that apply to all assets (IT, construction, etc.) to part I and reserves part II for additional business case criteria for IT.
300	Adds dates to much of the life-cycle documents mentioned in the business cases.
300	Removes the "significant" project classification for IT.
300.10	Adds a section on how OMB will evaluate the business cases in exhibit 300.
800	Adds a section on managing physical and financial assets.

CIRCULAR NO. A–11

PART 1

GENERAL INFORMATION

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
JUNE 2002

SECTION 10—OVERVIEW OF THE BUDGET PROCESS

Table of Contents

The Budget Process

10.1 What is the budget?
10.2 Why prepare a budget?
10.3 What kinds of information does the budget provide?
10.4 Which agencies does the budget cover?
10.5 What happens during the Federal budget process and when?
10.6 What is the Mid-Session Review?
10.7 How do GPRA and audits affect my budget?

The Central Financial Agencies

10.8 What are the central financial agencies?
10.9 What are the responsibilities and functions of OMB?
10.10 What are the responsibilities and functions of the Treasury?
10.11 What are the responsibilities and functions of CBO?
10.12 What are the responsibilities and functions of GAO?
10.13 Do OMB, CBO, FMS, and GAO have any overlapping responsibilities?

Summary of Changes

Expands the explanation of budget execution (section 10.5).

Contains the explanation of the Mid-Session Review previously included in section 112.2 (section 10.6).

Describes how GPRA and audits affect agency budgets (section 10.7).

Describes the functions of the central financial agencies (sections 10.8 through 10.13).

10.1 What is the budget?

In this Circular, the term *budget* means the President's budget—*The Budget of the United States Government*. The budget consists of several volumes that set forth the President's financial proposal with recommended priorities for allocating resources. The main *Budget* volume contains the President's budget message and other broad statements of policy. The *Appendix* contains detailed information by agency, bureau or program group, budget accounts, programs, and activities. Other volumes, such as *Analytical Perspectives* and *Historical Tables*, provide complementary views of the budget. Most of the information contained in the budget is, or is based on, information you submit for your agency and programs in response to this Circular.

The term "budget" can mean other things in other contexts. It often refers to the full receipt and outlay proposals rather than the volumes in which these amounts are published. Some people refer collectively to the budget resolution and revenue and spending bills that Congress passes, which we describe below, as the "congressional budget." Ultimately, Congress and the President enact many laws that control the Government's receipts and spending, which we sometimes refer to collectively as the budget, as in "enacting the budget."

This section provides a broad overview of the budget process. You can read more about the budget process in a chapter of the *Analytical Perspectives* volume of the most recent budget, "Budget System and Concepts and Glossary," which is also available as a separate pamphlet. You can order budget documents, including the pamphlet, from the Government Printing Office, or you can view or download them at the following Internet addresses:

http://www.access.gpo.gov/usbudget (GPO), or

http://www.whitehouse.gov/omb/ (OMB)

10.2 Why prepare a budget?

A law requires the President to submit a budget (see section 15.2). The President formally transmits his proposals for allocating resources to Congress through the budget. Congress considers the recommendations and uses the information included in the budget as it drafts and passes laws that affect spending and receipts. Through this process the Government decides how much money to spend, what to spend it on, and how to raise the money it has decided to spend.

10.3 What kinds of information does the budget provide?

The budget focuses primarily on the budget year—the upcoming fiscal year for which Congress needs to make appropriations. However, it includes data for the most recently completed year, the current year, and at least the four years following the budget year (outyears) in order to reflect the effect of budget decisions over the longer term. In addition to proposed appropriations for the budget year, the budget may include proposed changes to appropriations for the current year (supplementals and rescissions), and legislative proposals that would affect the current year, the budget year, or the outyears.

The budget provides actual or estimated data (stated in millions or billions of dollars, depending on the context) for the following:

- The amount by account that each agency may obligate the Government to pay (budget authority) and estimates of payments (outlays) by agency and account;
- The amount of receipts each agency collects from various sources;
- Budget authority, outlays, and receipts by major function of Government, such as national defense; (This is why we assign each budget account a functional classification code(s).)
- Total budget authority, outlays, and receipts for the Government; and
- The actual or estimated surplus (when receipts exceed outlays) or deficit (when outlays exceed receipts).

The budget divides the Government totals for budget authority, outlays, and receipts into "on-budget" amounts and "off-budget" amounts. The off-budget amounts include the transactions of the Social Security trust funds and the Postal Service, which are excluded from the on-budget totals by laws.

The budget arrays data in many different ways. For example, one section of the budget discusses current operating expenditures versus capital investment. Also, while the budget focuses primarily on dollars, it also includes data on other resources, such as Federal employment levels.

10.4 Which agencies does the budget cover?

The budget covers the agencies of all three branches of government—Executive, Legislative, and Judicial—and provides information on Government-sponsored enterprises. In accordance with law or established practice, OMB includes information on agencies of the Legislative Branch, the Judicial Branch, and certain Executive Branch agencies as submitted by those agencies without change. By longstanding practice, the budget presents information about the Board of Governors of the Federal Reserve System, but doesn't include amounts for the Board in the budget totals, even though it is a Government agency, because of the independent status of the System. The budget includes information about the Government-sponsored enterprises, such as the Federal National Mortgage Association (Fannie Mae), but doesn't include them in the budget totals because they are privately owned. (Section 25 discusses the applicability of Part 1 of this Circular to various agencies.)

10.5 What happens during the Federal budget process and when?

The budget process occurs in three main phases:

- *Formulation*. During this phase, the Executive Branch prepares the President's budget. OMB and the Federal agencies begin preparing the next budget almost as soon as the President has sent the last one to Congress. OMB officially starts the process by sending planning guidance to Executive Branch agencies sometime in the Spring. The President completes this phase by sending the budget to Congress on the first Monday in February, as specified in law, although occasionally Presidents have sent it later for various reasons. For example, in a year with a transition between outgoing and incoming Administrations, the timing of the President's budget transmittal changes. (President George W. Bush transmitted his first budget, the 2002 budget, in April 2001.)

- *Congressional*. This phase starts in late January or February, when Congress receives the President's budget. Congress doesn't vote on the President's budget itself, and it doesn't enact a budget of its own, as such. It considers the President's budget proposals, passes an overall revenue and spending plan called a "budget resolution," and enacts the thirteen regular appropriations acts and other laws that control spending and receipts.

- *Execution.* This phase lasts for at least five fiscal years and includes two parts.

  - The *apportionment* part pertains to funds appropriated for that fiscal year and to balances of appropriations made in prior years that remain available for obligation. At the beginning of the fiscal year, and at such other times as necessary, OMB apportions funds—that is, specifies the amount of funds that an agency may use by time period, program, project, or activity—to Executive Branch agencies. Throughout the year, agencies hire people, enter into contracts, enter into grant agreements, etc. in order to carry out their programs, projects, and activities. These actions use up the available funds by obligating the Federal government to make outlays, immediately or in the future.

  - The *reporting and outlay* part lasts until funds are canceled (one- and multiple-year funds are canceled at the end of the fifth year after the funds expire for new obligations) or until funds are totally disbursed (for no-year funds).

The following tables highlight the major events in each of the phases of the budget process. These tables show the planned timing or, when applicable, the timing specified in law. The actual timing may vary from the plan. For example, Congress frequently does not enact all appropriations acts by the start of the fiscal year, and on several occasions a President has submitted the budget later than specified for various

reasons, including late enactment of appropriations for the previous fiscal year or a change in Administrations. Since budget cycles overlap, we must begin the next cycle before completing the last one.

MAJOR STEPS IN THE FORMULATION PHASE

What happens?	When?
OMB issues Spring planning guidance to Executive Branch agencies for the upcoming budget. The OMB Director issues a letter to the head of each agency providing policy guidance for the agency's budget request. Absent more specific guidance, the outyear estimates included in the previous budget serve as a starting point for the next budget. This begins the process of formulating the budget the President will submit the following February.	Spring
OMB and the Executive Branch agencies discuss budget issues and options. OMB works with the agencies to: • Identify major issues for the upcoming budget; • Develop and analyze options for the upcoming fall review; and • Plan for the analysis of issues that will need decisions in the future.	Spring and Summer
OMB issues Circular No. A–11 to all Federal agencies. This Circular provides detailed instructions for submitting budget data and materials.	July
Executive Branch agencies (except those not subject to Executive Branch review) make initial budget submissions. See section 25.1 and 25.5.	September 9
Fiscal year begins. The just completed budget cycle focused on this fiscal year. It was the "budget year" in that cycle and is the "current year" in this cycle.	October 1
OMB conducts its Fall review. OMB staff analyze agency budget proposals in light of presidential priorities, program performance, and budget constraints. They raise issues and present options to the Director and other OMB policy officials for their decisions.	October–November
OMB briefs the President and senior advisors on proposed budget policies. The OMB Director recommends a complete set of budget proposals to the President after OMB has reviewed all agency requests and considered overall budget policies.	Late November
"Passback." OMB usually informs all Executive Branch agencies at the same time about the decisions on their budget requests.	Late November
All agencies, including Legislative and Judicial Branch agencies, enter MAX computer data and submit print materials and additional data. This process begins immediately after passback and continues until OMB must "lock" agencies out of the database in order to meet the printing deadline. See section 25.6.	Late November to early January *
Executive Branch agencies may appeal to OMB and the President. An agency head may ask OMB to reverse or modify certain decisions. In most cases, OMB and the agency head resolve such issues and, if not, work together to present them to the President for a decision.	December *
Agencies prepare and OMB reviews congressional budget justification materials. Agencies prepare the budget justification materials they need to explain their budget requests to the responsible congressional subcommittees.	January

What happens?	When?
President transmits the budget to Congress.	First Monday in February

* OMB provides specific deadlines for this activity.

MAJOR STEPS IN THE CONGRESSIONAL PHASE

What happens?	When?
Congressional Budget Office (CBO) reports to Budget Committees on the economic and budget outlook.	January
CBO reestimates the President's budget based on their economic and technical assumptions.	February
Other committees submit "views and estimates" to House and Senate Budget Committees. Committees indicate their preferences regarding budgetary matters for which they are responsible.	Within 6 weeks of budget transmittal
Congress completes action on the concurrent resolution on the budget. Congress commits itself to broad spending and revenue levels by passing a budget resolution.	April 15
Congress needs to complete action on appropriations bill for the upcoming fiscal year. Congress completes action on regular appropriations bills or provides a "continuing resolution" (a stop-gap appropriation law).	September 30

MAJOR STEPS IN THE EXECUTION PHASE

What happens?	When?
Fiscal year begins.	October 1
OMB apportions funds made available in the budget process and other available funds. Agencies submit apportionment requests to OMB for each budget account by *August 21* or within *10 calendar days* after the approval of the appropriation, whichever is later. OMB approves or modifies the apportionment specifying the amount of funds agencies may use by time period, program, project, or activity.	September 10 (or within 30 days after approval of a spending bill)
Agencies incur obligations and make outlays to carry out the funded programs, projects, and activities. Agencies hire people, enter into contracts, enter into grant agreements, etc. in order to carry out their programs, projects, and activities. Agencies record obligations and outlays pursuant to administrative control of funds procedures (see Appendix H), report to Treasury (see the Treasury Fiscal Requirements Manual and section 130), and prepare financial statements.	Throughout the fiscal year
Fiscal year ends.	September 30

What happens?	When?
Expired phase (no-year funds do not have an expired phase). Agencies disburse against obligated balances and adjust obligated balances to reflect actual obligations during the period of availability. Agencies continue to record obligations and outlays pursuant to administrative control of funds procedures (see Appendix H), report to Treasury (see the Treasury Fiscal Requirements Manual and section 130), and prepare financial statements.	Until September 30, fifth year after funds expire.

10.6 What is the Mid-Session Review?

The law requires the President to send a report to Congress updating budget estimates on or before July 15th. This report contains revised budget estimates resulting from changes in economic assumptions, technical reestimates, Presidential initiatives, and completed congressional actions that have occurred since transmittal of the budget. Your OMB representative will provide guidance on the development of these estimates at the appropriate time.

10.7 How do GPRA and audits affect my budget?

GPRA requires agencies to prepare strategic plans, which set the framework for budget formulation, annual performance plans, and annual performance reports. These plans and reports forge a strong link between resources (obtained through the budget process) and performance. For further information, see section 200.1.

Audits begin after the close of a fiscal year. Audits are performed by agency audit staffs contained in an Office of Inspector General or by private auditing firms. These audits may identify deficiencies in the implementation of programs. Audits may identify Anti-deficiency Act violations, which may lead to a review of agency fund control systems and changes in agency budget execution procedures.

Program evaluations are performed by agency evaluation staff or contractors, sometimes in response to particular issues identified during the budget process.

10.8 What are the central financial agencies?

The central financial agencies are:

- The Office of Management and Budget (OMB), in the Executive Office of the President;
- The Department of the Treasury, Financial Management Service (FMS);
- The Congressional Budget Office (CBO), in the Legislative Branch; and
- The General Accounting Office (GAO), in the Legislative Branch.

10.9 What are the responsibilities and functions of OMB?

OMB's predominant mission is to assist the President in overseeing the preparation of the Federal budget and to supervise its administration by the Executive Branch agencies. OMB evaluates the effectiveness of agency programs, policies, and procedures, assesses competing funding demands among agencies, and sets funding priorities. OMB ensures that agency reports, rules, testimony, and proposed legislation are consistent with the President's budget and with Administration policies.

In addition, OMB oversees and coordinates the Administration's procurement, financial management, information, and regulatory policies. In each of these areas, OMB's primary roles are to improve administrative management, develop better performance measures and coordinating mechanisms, and reduce any unnecessary burdens on the public.

For further information, please refer to the OMB web site at http://www.whitehouse.gov/omb.

10.10 What are the responsibilities and functions of the Treasury?

Treasury, acting through the Financial Management Service (FMS):

- Disburses 950 million Federal payments like Social Security, veterans' benefits and income tax refunds to more than 100 million people; (The Defense Department does not use FMS to disburse its funds.)
- Collects more than $2 trillion in Federal revenues;
- Oversees a daily cash flow of $10 billion;
- Provides centralized debt collection services to most Federal agencies; and
- Provides government-wide accounting and reporting.

FMS gathers and publishes government-wide financial information that is used by the public and private sectors to monitor the government's financial status and establish fiscal and monetary policies. These publications include: the Daily Treasury Statement; the Monthly Treasury Statement; the Treasury Bulletin; the Combined Statement of Receipts, Outlays and Balances of the United States Government; and the Financial Report of the U.S. Government, which is the Federal government's first set of audited financial statements, a requirement of the Government Management and Reform Act of 1994.

For further information, please refer to the FMS web site at http://www.fms.treas.gov/.

10.11 What are the responsibilities and functions of CBO?

CBO was created by the Congressional Budget and Impoundment Control Act of 1974. CBO's mission is to provide the Congress with the objective, timely, nonpartisan analyses needed for economic and budget decisions and with the information and estimates required for the Congressional budget process.

For further information, please refer to the CBO web site at http://www.cbo.gov/.

10.12 What are the responsibilities and functions of GAO?

The General Accounting Office is the investigative arm of Congress. GAO helps the Congress meet its Constitutional responsibilities and helps improve the performance and accountability of the Federal government for the American people. GAO examines the use of public funds, evaluates Federal programs and activities, and provides analyses, options, recommendations, and other assistance to help the Congress make effective oversight, policy, and funding decisions. In this context, GAO works to continuously improve the economy, efficiency, and effectiveness of the Federal government through financial audits, program reviews and evaluations, analyses, legal opinions, investigations, and other services. GAO's activities are designed to ensure the executive branch's accountability to the Congress

under the Constitution and the government's accountability to the American people. GAO is dedicated to good government through its commitment to the core values of accountability, integrity, and reliability.

For further information, please refer to the GAO web site at http://www.gao.gov/.

10.13 Do OMB, CBO, FMS, and GAO have any overlapping responsibilities?

Yes. Here are a few examples:

- After OMB submits the President's Budget, CBO is responsible for re-estimating the Budget.

- Both OMB and CBO score the costs of legislation (both appropriations and direct spending included in authorization bills). Congress uses the CBO estimates during congressional consideration of individual bills to ensure that they are consistent with the budget resolution totals. The President uses OMB estimates to determine whether budget-related legislation exceeds the limits set by the Budget Enforcement Act. If they do, this triggers an across-the-board cut (sequester) of spending. OMB reconciles or explains differences between the two sets of estimates.

- OMB and FMS work together to establish any new Treasury accounts, both during the preparation of the Budget and after bills become laws.

- OMB provides its scoring to FMS to assist in FMS' responsibility to prepare warrants.

- OMB and FMS work together to estimate actual outlays during the course of a year.

- FMS gathers financial information through FACTS II (Federal Agencies' Centralized Trial-Balance System) that allows agencies to submit one set of accounting data (mostly budgetary, some proprietary) that fulfills the needs of the SF 133 Report on Budget Execution and Budgetary Resources, the FMS 2108 Year-End Closing Statement, and the prior-year column of the Program and Financing schedule in the President's Budget.

- OMB and FMS worked together to develop the FACTS II systems. FMS develops U.S. Standard General Ledger guidance to comply with OMB definitions.

- Both FMS and GAO provide guidelines used by financial managers as they account for Federal finances.

- OMB uses GAO audits and evaluations as part of its review of agency programs.

SECTION 15—BASIC BUDGET LAWS

Table of Contents

15.1 What laws govern the budget cycle?
15.2 Why is the Budget and Accounting Act important?
15.3 How does Congress enact the budget and what laws govern the process?
15.4 What laws govern the budget execution process when funds are actually spent?
15.5 What does the Government Performance and Results Act of 1993 require?
15.6 What do I need to know about the Federal Credit Reform Act of 1990?

Summary of Changes

Covers the entire budget cycle (sections 15.1– 15.6).

Includes the laws governing congressional action on the budget (section 15.3) and budget execution (15.4).

15.1 What laws govern the budget cycle?

The Federal budget cycle can be divided into three distinct phases that are generally sequential and yet intertwined. The first phase, which culminates in the transmittal of the President's budget proposals to Congress, is called the budget formulation phase. In the next phase, Congress acts upon laws that together constitute the enacted budget. Once the laws have been enacted, executive agencies carry out the laws in the budget execution phase. The Federal budget cycle is governed mainly by the following six laws, which we describe below:

- Budget and Accounting Act.
- Congressional Budget Act.
- Antideficiency Act.
- Impoundment Control Act.
- Government Performance and Results Act.
- Federal Credit Reform Act.

15.2 Why is the Budget and Accounting Act important?

Before this law, which was enacted in 1921, there was no annual centralized budgeting in the executive branch. Federal Government agencies usually sent budget requests independently to Congressional committees with no coordination of the various requests in formulating the Federal Government's budget. The Budget and Accounting Act required the President to coordinate the budget requests for all Government agencies and to send a comprehensive budget to Congress. It created the Bureau of the Budget, now the Office of Management and Budget, to help the President implement these requirements. It also required the President to include certain information in the budget. Congress has amended the requirements many times and has codified them as Chapter 11, Title 31, U.S. Code. These are some of the requirements:

- "On or after the first Monday in January but not later than the first Monday in February of each year, the President shall submit a budget of the United States Government for the following fiscal year."

- "Each budget shall include a budget message and summary and supporting information. The President shall include in each budget the following...." The provision goes on to list about thirty items, such as expenditures and receipts for the past year through the fourth year following the budget year, information on debt, financial information, and information on employment levels.

- "Under regulations prescribed by the President, each agency shall provide information required by the President in carrying out this chapter. The President has access to, and may inspect, records of an agency to obtain information."

- "Estimated expenditures and proposed appropriations for the legislative branch and the judicial branch...shall be submitted to the President before October 16 of each year and included in the budget by the President without change."

15.3 How does Congress enact the budget and what laws govern the process?

Congress does not enact a budget, as such. Instead, the budget is enacted through several different types of legislation:

- Congress is first scheduled to adopt a concurrent resolution that sets forth the total budget outlays (spending) and budget receipts for the upcoming fiscal year.

- Next, legislation authorizing changes in programs and in taxes is scheduled to be enacted consistent with the budget resolution.

- Finally, Congress is scheduled to enact appropriations in as many as 13 regular appropriations bills for the up-coming fiscal year

Before the Congressional Budget Act (CBA), there was no annual centralized budgeting in the legislative branch. Each of the 13 regular annual appropriations bills was acted on separately by Congress and changes in taxes were authorized in another process. In addition, there was no established process to add up the total receipts and total spending in all the bills to reach the Federal Government's bottom line, whether it was a surplus or a deficit.

The CBA established the concurrent resolution on the budget, also known as the budget resolution, the House and Senate Budget Committees, the Congressional Budget Office, and procedures for relating individual appropriation actions to the budget totals. Also, the CBA defines some key budget terms, such as budget authority, that are used in all phases of the President's budget formulation process and the Congressional budget process.

The CBA was amended extensively by a series of laws that prescribed rules and procedures (including "sequestration") designed to constrain spending and receipts legislation. The latest was the Budget Enforcement Act (BEA) which was first enacted in 1990. The current version of the BEA applies to any law enacted through 2002 that would increase spending or decrease receipts. It applies to appropriations acts and other laws, so it affects almost every aspect of budgeting.

The BEA divides spending into two types:

- *Discretionary spending,* which means the budget authority controlled by annual appropriations acts and the outlays that result from the budget authority; and

- *Mandatory spending,* which means budget authority and outlays resulting from permanent laws.

The BEA applies one set of rules to discretionary spending and another to mandatory spending and receipts. It includes receipts under the same rules that apply to mandatory spending because receipts are generally controlled by permanent laws. Section 20.9 explains these rules and BEA reporting requirements in detail.

15.4 What laws govern the budget execution process when funds are actually spent?

Chapters 13, 15, and 33 of Title 31, United States Code, prescribe rules and regulations for budget execution. Among these, the major laws are the Antideficiency Act, the Impoundment Control Act, the provisions known as the Economy Act which are found in section 1535, the provisions that govern the closing of accounts which are found in sections 1551 through 1535; and the "Miscellaneous Receipts Law" which is found in section 3302.

The Antideficiency Act requires OMB to apportion the accounts and to monitor spending; prohibits agencies from spending more than the amounts appropriated or apportioned, whichever is lower; requires that agencies control their spending; and provides penalties for overspending.

Specifically, agencies may not:

- Purchase services and merchandise *before* appropriations are enacted and accounts are apportioned;
- Enter into contracts that *exceed* the appropriation for the year or the amount apportioned by OMB, whichever is lower; or
- Pay bills when there is *no cash* in the appropriation or fund account.

The head of each agency is required to establish, by regulation, a system of administrative control of funds that:

- Restricts *both* obligation and expenditure (for example, outlays or disbursements) from each account to the *lower of* the amount apportioned by OMB or the amount available for obligation and/or expenditure.
- Enables the head of the agency to identify the person(s) responsible for violating the Act.

There are administrative and criminal *penalties* for violating the Antideficiency Act. Also, the agency head is required to report any violations to the President, through the OMB Director, and to the Congress. See section 145 for instructions on budget execution.

The Impoundment Control Act, which was enacted in 1974, requires that the President notify Congress whenever the Executive Branch withholds, delays, or precludes the obligation or expenditure of budget authority. There are two types of impoundment: the temporary *deferral* of funds and *rescission proposals* to permanently cancel spending**.** The Act also prescribes the rules that must be followed whenever the executive branch impounds funds**.** See section 112 for instructions on reporting deferrals and rescission proposals and the rules that must be followed.

15.5 What does the Government Performance and Results Act of 1993 require?

This law emphasizes managing for results—emphasizing what a program accomplishes and how well the accomplishments match with the program's purpose and objectives. It requires agencies to prepare strategic plans, annual performance plans, and annual performance reports. Part 6 of this Circular addresses the requirements of this law.

15.6 What do I need to know about the Federal Credit Reform Act of 1990?

This law governs Federal credit programs—ones that make direct loans and loan guarantees. The Act prescribes a special budget treatment for direct loans and loan guarantees that measures their subsidy cost, rather than their cash flows. For most credit programs, Congress must provide budget authority equal to the subsidy cost in annual appropriations acts before the program can make direct loans or loan guarantees. Section 185 of this Circular addresses the requirements of this law, which was enacted as an amendment of Title V of the Congressional Budget Act of 1974.

SECTION 20—TERMS AND CONCEPTS

Table of Contents

20.1 What is the purpose of this section?
20.2 How do I use this section?
20.3 What special terms must I know?
20.4 What do I need to know about budget authority?
(a) Definition of budget authority
(b) Forms of budget authority
(c) Determining the period of availability of budget authority
(d) Determining the amount of budget authority
(e) Discretionary or mandatory budget authority
(f) Unobligated balance of budget authority
(g) Balance of unpaid obligations and obligated balances
(h) Reappropriation
(i) Rescission
(j) Transfer
(k) Transfer in the estimates
(l) Allocation
20.5 When should I record obligations and in what amounts?
20.6 What do I need to know about outlays?
20.7 What do I need to know about receipts, offsetting collections, and offsetting receipts?
(a) Overview
(b) Receipts
(c) Offsetting collections and offsetting receipts
(d) User charges
(e) Means of financing
20.8 What do I need to know about cash-equivalent transactions?
20.9 What do I need to know about discretionary spending, mandatory spending, and PAYGO?
20.10 What do I need to know about refunds?
20.11 What do I need to know about accounts and fund types?
20.12 How do I record investment in securities, disinvestment, and earnings?
20.13 What do I need to know about spending authority from offsetting collections?

Ex–20 Transfers of Budgetary Resources Among Federal Government Accounts

Summary of Changes

Contains information on obligations, spending authority from offsetting collections, and other terms and concepts previously included in sections 11, 12 and 13 of A–34.

Generalizes the definition of cost; and clarifies the definitions of budget authority, entitlement authority, and obligated balances (sections 20.3 and 20.4).

Replaces the concept of user fees with the broader concept of user charges (section 20.7).

Expands the discussion of Treasury accounts, budget accounts, clearing accounts, and deposit funds (section 20.11).

20.1 What is the purpose of this section?

In this section we define budget terms—such as *budget authority, obligation,* and *outlay*—that you need to know in order to understand the budget process and this Circular. We also explain certain of the terms in depth.

20.2 How do I use this section?

- Go to the next section (section 20.3) if you just need a brief definition of a term commonly used in the budget process. That section lists the terms in alphabetical order.
- Go to sections 20.4–20.11 and 20.13 if you need a fuller explanation of the terms and concepts listed in the section titles of the Table of Contents above.
- Go to section 20.12 if you need to know about investing fund balances in Federal securities or other securities.
- Go to Part 5, Federal Credit, if you need to know more about the credit terms defined in section 20.3.

20.3 What special terms must I know?

Advance appropriation means appropriations of new budget authority that become available one or more fiscal years beyond the fiscal year for which the appropriation act was passed. (See section 20.4(c).)

Advance funding means appropriations of budget authority provided in an appropriations act to be used, if necessary, to cover obligations incurred late in the fiscal year for benefit payments in excess of the amount specifically appropriated in the act for that year, where the budget authority is charged to the appropriation for the program for the fiscal year following the fiscal year for which the appropriations act is passed. (See section 20.4(c).)

Agency means a department or establishment of the Government for the purposes of this Circular. (Compare to *bureau.*)

Allowance means a lump-sum included in the budget to represent certain transactions that are expected to increase or decrease budget authority, outlays, or receipts but that are not, for various reasons, reflected in the program details. For example, the budget might include an allowance to show the effect on the budget totals of a proposal that would affect many accounts by relatively small amounts, in order to avoid unnecessary detail in the presentations for the individual accounts. The President doesn't propose that Congress enact an allowance as such, but rather that it modify specific legislative measures as necessary to produce the increases or decreases represented by the allowance.

Apportionment means a distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, program, activities, projects, objects, or any combinations of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, suballotments, and allocations.

Appropriated entitlement—See *entitlement authority.*

Appropriation means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority (see section 20.4.)

Baseline means an estimate of the receipts, outlays, and deficit or surplus that would result from continuing current law through the period covered by the budget. (See section 80.)

BEA means the Budget Enforcement Act of 1990, as amended. (See section 15.3.)

Borrowing authority is a type of budget authority that permits obligations and outlays to be financed by borrowing. (See section 20.4.)

Budget means the *Budget of the United States Government,* which sets forth the President's comprehensive financial plan and indicates the President's priorities for the Federal Government. (See section 10.1.)

Budget authority (BA) means the authority provided by law to incur financial obligations that will result in outlays. Specific forms of budget authority include appropriations, borrowing authority, contract authority, and spending authority from offsetting collections. (See section 20.4.)

Budgetary resource means an amount available to enter into new obligations or to liquidate obligations in a given year. Budgetary resources are made up of new budget authority and unobligated balances of budget authority provided in previous years.

Budget totals means the totals included in the budget for budget authority, outlays, receipts, and the surplus or the deficit. Some presentations in the budget distinguish on-budget totals from off-budget totals. On-budget totals reflect the transactions of all Federal Government entities, except those excluded from the budget totals by law. Off-budget totals reflect the transactions of Government entities that laws exclude from the on-budget totals (those of the Social Security trust funds and the Postal Service). The budget presents combined on- and off-budget totals to derive totals for Federal activity, sometimes called the unified budget totals. For example, see the end of the chapter "Federal Programs by Agency and Account" in the *Analytical Perspectives* volume of the most recent budget.

Bureau means the principal subordinate organizational units of an agency.

Cap means the legal limits for each fiscal year on the budget authority or outlays for a category of discretionary spending. (See section 20.9.)

Cash equivalent transaction means a transaction in which the Government makes outlays or receives collections in a form other than cash, or in which the outlays or receipts recorded in the budget differ from the cash because the cash does not accurately measure the value of the transaction. (See section 20.8.)

Collection means money collected by the Government that the budget records as either a receipt, an offsetting collection, or an offsetting receipt. (See section 20.7.)

Contract authority permits you to incur obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations. Typically, Congress provides contract authority in an authorizing statute to allow you to incur obligations in anticipation of the collection of receipts or offsetting collections that will be used to liquidate the obligations. (See section 20.4.)

Cost means the price or cash value of the resources used to produce a program, project, or activity. This term is used in many different contexts. When used in connection with Federal credit programs, the term means the estimated long-term cost to the Government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays. (See section 185.) For specific instructions on estimating costs, refer to the pertinent OMB instructions, for example, for cost principles for educational institutions, see Circular No. A–21; for estimating costs for user charges, see Circular No. A–25; for rental and construction costs of Government quarters, see Circular No. A–45; for allowable costs for audits, see Circular No. A–50; for cost estimates in performing commercial activities, see Circular No. A–76; and for cost principles for State local and Indian Tribal Governments, see Circular No. A–97.

Credit program account means an account into which an appropriation for the cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to a financing account for the program. (See section 185.)

Current services estimates—See *baseline.*

Deficit means the amount by which outlays exceed receipts in a fiscal year. It may refer to the on-budget, off-budget, or unified budget deficit. (See *budget totals.)*

Deferral means any executive branch action or inaction that temporarily withholds, delays, or effectively precludes the obligation or expenditure of budgetary resources. The President reports deferrals to Congress by special message. They are not identified separately in the budget. (See section 112.1.)

Deposit fund means an account established to record amounts held temporarily by the Government until ownership is determined (for example, earnest money paid by bidders for mineral leases) or held by the Government as an agent for others (for example, State and local income taxes withheld from Federal employees' salaries and not yet paid to the State or local government). (See section 20.11(e)

Direct loan means a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term also includes certain equivalent transactions that extend credit. (See section 185.) (Compare to *loan guarantee*.)

Direct spending—See *mandatory spending.*

Discretionary spending means budgetary resources (except those provided to fund mandatory spending programs) provided in appropriations acts. (See section 20.9.) (Compare to *mandatory spending*.)

Emergency appropriation means an appropriation that the President and the Congress have designated as an emergency requirement under the BEA. (See section 20.9.)

Entitlement authority means the authority, generally provided by an authorizing statute, to make payments (including loans and grants), to persons or non-federal entities who meet the requirements established by law. Examples of entitlement authority include benefit payments for Social Security, medicare, and unemployment insurance. Some programs, such as the food stamp program, veterans compensation, and Medicaid, are classified as entitlements even through they are funded by appropriations acts, because the authorizing statute for the program obligates the United States to make payments. These are referred to as *mandatory appropriations* or *appropriated entitlements*. Also see *mandatory spending* (section 20.9)

Expenditure transfer—See *transfers.*

FACTS II means the Treasury Federal Agencies' Centralized Trial-balance System II. Agency staff use this system to electronically submit the accounting data that (a) support the SF 133 Report on Budget Execution and Budgetary Resources and (b) are used for much of the initial set of past year data in MAX schedule P. (See sections 82.18 and 130.2)

Federal funds group consists of the moneys collected and spent by the Government through accounts other than those designated as trust funds. The Federal funds group includes general, special, public enterprise, and intragovernmental funds. (See section 20.11.) (Compare to *trust funds*.)

Financing account means an account that collects the cost payments from a credit program account and includes all cash flows to and from the Government resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991. At least one financing account is associated with each credit program account. For programs with direct and guaranteed loans, there are separate financing accounts for direct loans and guaranteed loans. The transactions of the financing accounts, which are a *means of financing*, are not included in the budget totals. (See section 185.) (Compare to *liquidating account*.)

Fiscal year means the Government's accounting period. It begins on October 1 and ends on September 30, and is designated by the calendar year in which it ends.

Forward funding means appropriations of budget authority that become available for obligation in the last quarter of the fiscal year for the financing of ongoing grant programs during the next fiscal year. (See section 20.4(c).)

Full-time equivalent (FTE) employment is the basic measure of the levels of employment used in the budget. It is the total number of hours worked (or to be worked) divided by the number of compensable hours applicable to each fiscal year. (See section 32.1.)

Functional classification means the array of budget authority, outlays, and other budget data according to the major purpose served—for example, agriculture, national defense, and transportation. (See section 79.3.)

General fund means the accounts for receipts not earmarked by law for a specific purpose, the proceeds of general borrowing, and the expenditure of these moneys.

Impoundment means any executive action or inaction that temporarily or permanently withholds, delays, or precludes the obligation or expenditure of budgetary resources.

Intragovernmental fund—See *revolving fund.*

Liquidating account means an account for a credit program that includes all cash flows to and from the Government resulting from direct loan obligations and loan guarantee commitments made prior to October 1, 1991. Unlike financing accounts, these accounts are included in the budget totals. (See section 185.) (Compare to *financing account*.)

Loan guarantee means any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender. The term does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions. (See section 185.) (Compare to *direct loan*.)

Mandatory appropriation—See *entitlement authority.*

Mandatory spending means spending controlled by laws other than appropriation acts (including spending for entitlement programs) and spending for the food stamp program. Although the BEA uses the term *direct spending* to mean this, *mandatory spending* is commonly used instead. (See section 20.9.) (Compare to *discretionary spending*.)

Means of financing means borrowing, the change in cash balances, and certain other transactions that are used to finance a deficit or a surplus. By definition, the means of financing are not treated as receipts or outlays. (See section 20.7.)

Non-expenditure transfer—See *transfer*.

Obligated balance means the cumulative amount of budget authority that has been obligated but not yet outlayed. It is also known as unpaid obligations (which is made up of accounts payable and undelivered orders) net of accounts receivable and unfilled customers orders. (See section 20.4(g).)

Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally. (See section 20.5.)

Off-budget—See *budget totals*.

Offsetting collections mean collections that are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, they are authorized to be spent for the purposes of the account without further annual action by Congress. They result from business-type or market-oriented activities with the public and other Government accounts. The authority to spend offsetting collections is a form of budget authority. (See sections 20.4(b) and 20.7.) (Compare to *receipts* and *offsetting receipts*.)

Offsetting receipts mean collections that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they result from business-type or market-oriented activities with the public and other Government accounts. (Compare to *receipts* and *offsetting collections.*)

On-budget—See *budget totals*.

Outlay means a payment to liquidate an obligation (other than the repayment of debt principal Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the subsidy cost of direct loans and loan guarantees, and interest accrued on public issues of the public debt. (See section 20.6.)

Outyear means any fiscal year beyond the budget year. The database includes estimates of budget authority, outlays, and receipts for nine years. However, most published budget tables present no more than four outyears.

Pay-as-you-go (PAYGO) means the requirement in the BEA for OMB to compile the cost of changes in receipts and mandatory spending enacted in legislation and to impose a sequestration of mandatory accounts if the estimated combined result of mandatory spending and receipts is a net cost for a fiscal year. (See section 20.9.)

Program account—See *credit program account*.

Public enterprise fund—See *revolving fund.*

Reappropriation means an extension in law of the availability of unobligated balances of budget authority that have expired or would otherwise expire. A reappropriation counts as budget authority in the year in which the balance becomes newly available for obligation. (See section 20.4(h).)

Receipts mean collections that result from the Government's exercise of its sovereign power to tax or otherwise compel payment, and gifts of money to the Government. They are compared to outlays in calculating a surplus or deficit. (See section 20.7.) (Compare to *offsetting collections* and *offsetting receipts*.)

Refund means the return of excess payments to or by the Government. (See section 20.10.)

Reimbursable obligation means an obligation financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. (See section 20.5.)

Rescission means a legislative action that permanently cancels new budget authority or the availability of unobligated balances of budget authority prior to the time the authority would otherwise have expired. (See section 20.4(i).)

Revolving fund means a fund that conducts continuing cycles of business-like activity, in which the fund charges for the sale of products or services and uses the proceeds to finance its spending, usually without requirement for annual appropriations. There are two types of revolving funds: Public enterprise funds, which conduct business-like operations mainly with the public, and intragovernmental revolving funds, which conduct business-like operations mainly within and between Government agencies. (See section 20.11.)

Scorekeeping means measuring the budget effects of legislation, generally in terms of budget authority, receipts, and outlays for purposes of the BEA. (See section 20.9.)

Sequestration means the cancellation of budgetary resources provided by discretionary appropriations or mandatory spending legislation, following procedures prescribed in the BEA. A sequestration may occur in response to an appropriation that causes discretionary spending to exceed the discretionary spending caps set by the BEA or in response to net costs resulting from the combined result of legislation affecting mandatory spending or receipts (referred to as a "pay-as-you-go" sequestration). (See section 20.9.)

Special fund means a Federal fund account for receipts and/or offsetting receipts earmarked for specific purposes and an associated Federal fund account for the expenditure of these receipts. (See section 20.11.)

Spending authority from offsetting collections is a type of budget authority that permits obligations and outlays to be financed by offsetting collections (see section 20.4.)

Subsidy means the same as "cost" when it is used in connection with Federal credit programs. (See section 185.)

Surplus means the amount by which receipts exceed outlays in a fiscal year. It may refer to the on-budget, off-budget, or unified budget surplus. (See *budget totals.)*

Supplemental appropriation means an appropriation enacted subsequent to a regular annual appropriations act, when the need for funds is too urgent to be postponed until the next regular annual appropriations act. (See section 110.2.)

Transfer means to move budgetary resources from one budget account to another. Depending on the circumstances, the budget may record a transfer as an expenditure transfer, which means a transfer that involves an outlay, or as a nonexpenditure transfer, which means a transfer that doesn't involve an outlay. (See section 20.4(j).)

Transfer in the estimates means a proposal to stop funding an activity through one budget account and begin funding it through another account. A transfer in the estimates doesn't involve a transfer of budgetary resources between the accounts. (See section 20.4(k).)

Trust fund means both a receipt account and one or more expenditure accounts that are designated by law as a trust fund. Like a special fund, the trust fund receipt accounts collect earmarked receipts for specific purposes and the associated trust fund expenditure accounts spend the receipts. Some revolving funds are designated as trust funds and these are called *trust revolving funds*. Trust revolving funds have no receipt account and the collections are credited directly to the expenditure account. (See section 20.11.) (Compare to *special funds* and *revolving funds.*)

Trust funds group consists of the moneys collected and spent by the Government through trust fund accounts. (See section 20.11.) (Compare to *Federal funds group*.)

Unexpended balance means the sum of the unobligated and obligated balances.

Unobligated balance means the cumulative amount of budget authority that is not obligated and that remains available for obligation under law.

User charges are charges assessed for the provision of Government services and for the sale or use of Government goods or resources. The payers of the user charge must be limited in the authorizing legislation to those receiving special benefits from, or subject to regulation by, the program or activity beyond the benefits received by the general public or broad segments of the public (such as those who pay income taxes or customs duties). User charges are defined and the policy regarding user charges is established in OMB Circular A–25, "User Charges" (July 8, 1993). The term encompasses proceeds from the sale or use of government goods and services, including the sale of natural resources (such as timber, oil, and minerals) and proceeds from asset sales (such as property, plant, and equipment). (See section 20.7.)

Warrant means an official document issued by the Secretary of the Treasury, pursuant to law, that establishes the amount of ~~a~~ppropriations that can be obligated and disbursed.

20.4 What do I need to know about budget authority?

(a) *Definition of budget authority.*

Budget authority (BA) means the authority provided by law to incur financial obligations that will result in outlays. This definition is the same as the one contained in section 3(2) of the Congressional Budget and Impoundment Control Act of 1974, which Congress uses in the congressional budget process. You violate the law if you enter into contracts, issue purchase orders, hire employees, or otherwise obligate the Government to make a payment before a law has provided budget authority for that purpose.

(b) *Forms of budget authority.*

Most laws provide budget authority in the form of appropriations, but some laws provide budget authority in the form of contract authority, authority to borrow, or spending authority from offsetting collections.

The following table summarizes the characteristics of each form of budget authority, and the text following the table discusses them in more depth.

FORMS OF BUDGET AUTHORITY

Form of budget authority	Summary of Characteristics
Appropriation	• Authorizes obligations and outlays using general funds, special funds, or trust funds. • Provided in appropriations acts and other laws. • May authorize the use of cash-equivalent payments. • Not all appropriations provide budget authority.
Contract authority	• Authorizes obligations but not outlays. • Typically provided in authorizing laws with variations in the way obligations are liquidated.
Authority to borrow	• Authorizes obligations with outlays to be financed by borrowing, usually from Treasury. • Typically provided in laws that authorize business-like operations and require the borrowing to be repaid, with interest, out of the business proceeds.
Spending authority from offsetting collections.	• Authorizes obligations and outlays using offsetting collections. • Typically provided in authorizing laws. • Appropriations acts limit obligations in some cases. • Obligations may be incurred against orders from other Federal accounts, but not from the public.

(1) *Appropriations,* as a type of budget authority, permit you to incur obligations and make outlays (payments). (Not all appropriations provide budget authority, as explained below.) Congress enacts appropriations in annual appropriations acts and other laws. An appropriation may make funds available from the general fund, special funds, or trust funds, or it may authorize the spending of offsetting collections, which are credited to expenditure accounts (including revolving funds).

A law that authorizes you to incur obligations and liquidate them through cash-equivalent payments (see section 20.8) constitutes an appropriation of budget authority.

Some appropriations do not provide budget authority, because they do not provide authority to incur new obligations. Amounts appropriated to liquidate contract authority, to liquidate deficiencies, or to repay debt provide the cash needed to liquidate obligations already incurred. Because they do not authorize you to incur new obligations, they are not appropriations of budget authority, and you do not record them as such. Although there are many variations in the language providing such appropriations, usually the appropriation heading for such

appropriations includes a subheading such as "(Liquidation of Contract Authority)," and the language reads something like, "for payment of obligations...."

For purposes of the Antideficiency Act, the definition of the term appropriations is broader. The term appropriations means all new budget authority and balances of budget authority as described here.

(2) *Contract authority* permits you to incur obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations. Typically, Congress provides contract authority in an authorizing statute to allow you to incur obligations in anticipation of the collection of receipts or offsetting collections that will be used to liquidate the obligations. When you receive the appropriated receipts or the collections, you replace the contract authority with the appropriation or the spending authority from the offsetting collections to cover the obligations and subsequently liquidate the obligations.

For some programs, the law authorizes you to use offsetting collections to liquidate the obligations incurred against the contract authority without further appropriation action. In a few cases, such as the foreign military sales program, the law that provides the contract authority also appropriates the receipts without further appropriation action.

For other programs, such as certain highway and airport and airway programs, Congress as a matter of custom requires you to seek an appropriation of receipts to liquidate the obligations.

In some instances, if the program does not have sufficient collections to liquidate the obligations incurred against contract authority, Congress may enact a general fund appropriation.

(3) *Authority to borrow* permits you to incur obligations and authorizes you to borrow funds to liquidate the obligations. Usually, the law authorizing the borrowing specifies that you must borrow from the Treasury, but in a few cases it authorizes borrowing directly from the public. Laws usually authorize borrowing for business-like operations, such as the Tennessee Valley Authority, which generates and sells electrical power. Such laws require the program to repay the borrowing, with interest, out of business proceeds.

(4) *Spending authority from offsetting collections* permits you to incur obligations and to make outlays using offsetting collections.

You record *new* spending authority from offsetting collections and the offsetting collections in the program and financing schedule of an account (see sections 82.3 and 82.6).

For *annual* and *multi-year* accounts, the spending authority from the offsetting collections belongs to the Treasury account that filled the order. (See section 20.11(a) for the distinction between Treasury accounts and budget accounts.) The availability of the spending authority is the same as the Treasury account to which it belongs. If the annual or multi-year Treasury account has *expired*, then you should NOT record the collection as *new* spending authority (schedule P lines 6800 and 6900) because it is not available to incur new obligations. It is not new budget authority. However, collections that belong to expired Treasury accounts are available to pay old bills. Collections in expired accounts are available for disbursement until the authority is canceled. You record collections in expired accounts as offsetting collections along with the collections in unexpired accounts (schedule P lines 8800 through 8845). You report the portion credited to expired accounts only on schedule P line 8896. For more information on determining the period of availability of budget authority, see subsection 20.4(c). As discussed in

section 20.11(a), each budget account covers all the Treasury accounts with the same appropriation title. The program and financing schedule covers:

- the unexpired accounts (annual, multi-year and no-year); and
- all the expired accounts (for example, the five expired annual accounts).

You subtract all offsetting collections (unexpired and expired) from gross outlays to yield net outlays so that the contribution of the budget account to the Federal Government's bottom line (the surplus or deficit) can be determined.

For *no-year* accounts, you record gross new budget authority (spending authority from offsetting collections) (schedule P lines 6800 and 6900) equal to the collections for the year and record the collections (schedule P lines 8800 - 8845) as an offset to the budget authority.

Amount precluded from obligation. If a law precludes you from using some of the collections to incur obligations because of a limitation on the amount or a formula in statute, you need to reduce the spending authority from cash collections by the precluded amount to determine the amount of budget authority that is available. For example, in some cases Congress enacts obligation limitations in appropriations acts that limit the authority to spend offsetting collections provided in authorizing laws. In other cases, the law authorizing the collection may itself limit the amount of obligations you may incur, such as through a benefit formula. The budget presents the unavailable amounts in an unavailable collections schedule (see section 86.6). You record budget authority in the year when the collections become available for obligation under the law. As a general rule, you must record obligations first against budget authority from collections in that year and then against budget authority from previously unavailable balances only to the extent that budget authority from collections in that year are not adequate to cover obligations. You always deduct the full amount of offsetting collections (cash) in the year you collect them, even where a law precludes you from obligating all or a portion of the collections in that year. For this reason, an account can have negative net budget authority or outlays.

The Congressional Budget Act defines offsetting receipts and collections as negative budget authority. In the congressional budget process, this subjects proposed provisions of law that affect offsetting receipts and collections to the rules that pertain to budget authority.

(c) *Period of availability of budget authority*.

When a law appropriates budget authority, it sets the period during which you can use it to incur new obligations. We call this the period of availability for *new obligation* of the budget authority, and the period normally is specified in the law providing the budget authority. The period of availability for incurring new obligations is shorter than the period of availability for making *disbursements,* which is covered by a general law. Each is described below.

Period of availability for incurring new obligations

- *Annual budget authority.* This term refers to budget authority that is available for obligation during only one fiscal year or less. One year is the default period of availability for annual appropriations acts, because a general provision in each of the acts specifies that the amounts provided in the act are available for one year, unless the act expressly provides otherwise. Even if there were not such a provision, the preamble of an appropriations act says that it is for a specific fiscal year. For example, the following language in an appropriation act would provide one-year budget authority: "For expenses of the Office of the Secretary, $1,500,000."

- *Multi-year budget authority.* The language for a 1specific appropriation of budget authority in an appropriations act or the authorization of the appropriation may make all or some portion of the amount available for obligation for a specified period of time in excess of one fiscal year. Usually, the period covers two or more whole fiscal years, but it may cover a period that includes part of the second fiscal year. We refer to such budget authority as multi-year budget authority or, specifically, as two-year budget authority, three-year budget authority, etc. For example, if the following language appeared in an appropriations act for 2002, it would provide two-year budget authority: "For research and development, $1,500,000, to remain available until September 30, 2003.

- *No-year budget authority.* The language for a specific appropriation of budget authority or the authorization of the appropriation may make all or some portion of the amount available "until expended." That means you can incur obligations against it indefinitely. We refer to this as no-year budget authority. For example, the following language provides no-year budget authority: "For construction, improvements, repair or replacement of physical facilities, $1,500,000, to remain available until expended." Authorizing laws that make appropriations seldom limit the period of availability, so most budget authority provided in authorizing laws is no-year budget authority.

Usually an appropriations act makes budget authority available beginning on October 1 of the fiscal year for which the appropriation act is passed. However, there are three types of appropriations where that is not the case. They are described below, and the budget *Appendix* lists the accounts in the budget with such appropriations under the heading, "Advance Appropriations, Advance Funding, and Forward Funding."

- *Advance appropriation* means appropriations of new budget authority that become available one or more fiscal years beyond the fiscal year for which the appropriation act was passed. For example, if the following language appeared in an appropriations act for fiscal year 2003, it would provide an advance appropriation for fiscal year 2004: "For operating expenses, $1,500,000, to become available on October 1, 2003." Under current BEA scoring guidelines, new budget authority for advance appropriations is scored in the fiscal year in which the funds become available for obligation. In this example, you would record the budget authority in 2004.

- *Advance funding* means appropriations of budget authority provided in an appropriations act to be used, if necessary, to cover obligations incurred late in the fiscal year for benefit payments in excess of the amount specifically appropriated in the act for that year, where the budget authority is charged to the appropriation for the program for the fiscal year following the fiscal year for which the appropriations act is passed. When such budget authority is used, the budget records an increase in the budget authority for the fiscal year in which it is used and a reduction in the budget authority for the following fiscal year. The following language, when added to regular appropriation language, provides advance funding: "...together with such sums as may be necessary to be charged to the subsequent year appropriation for the payment of compensation and other benefits for any period subsequent to August 15 of the current year."

- *Forward funding* means appropriations of budget authority that are made for obligation in the last quarter of the fiscal year for the financing of ongoing grant programs during the next fiscal year. The budget records the budget authority in the fiscal year in which is it appropriated. The following language, if it appeared in an appropriation act for 2003, would provide forward funding, which would be recorded in fiscal year 2003: "... of which $2,000,000,000 shall become available on July 1, 2003 and shall remain available through September 30, 2004 for academic year 2003–2004."

Period of availability for making disbursements.

Under a general law, *annual* budget authority and *multi-year* budget authority may disburse during the first two phases of the following three phases that make up the life cycle of the budget authority.

- *Unexpired* phase. During this time period the budget authority is available for "new" obligations and for disbursement. You may make "new" grants or sign "new" contracts during this phase. This phase lasts for a set number of years. Annual budget authority lasts for up to one fiscal year. Currently, multi-year authority lasts from over one fiscal year up to 15 fiscal years.

- *Expired* phase. During this time period, the budget authority is no longer available for new obligations but is still available for disbursement. This phase normally lasts five years after the last unexpired year. Specifically, you may not incur new obligations against expired budget authority. However, you may make adjustments to obligations that were made before the budget authority expired. For example, you could make an upward adjustment in previously recorded obligations for transportation charges, under an agreement to pay actual transportation charges, if they turned out to be greater than originally estimated. You may use expired authority to make adjustments to obligations or disbursements only during a five-year period that usually begins with the first expired year. The expired period can be lengthed by legislation. If you have a program with a legitimate need to disburse funds for more than five years after the authority expires for obligation—for example, to make disbursements over many years under direct loan contracts, to pay termination costs under some contracts, or to make payments under a lease—and your OMB representative approves, you may propose special language to disburse over a period longer than five years. (section 96.6). You may disburse during the longer period if the special language is enacted in law.

- *Canceled* phase. After the last expired year, the account is closed, and the balances are canceled. The authority to disburse is canceled and is no longer available for any purpose. Any offsetting collections credited to the account at the time the account is canceled and thereafter must be transferred to miscellaneous receipts in the Treasury. Any old bills with valid obligations … that show up after the account is closed … must be obligated against and disbursed from budget authority that is available for the same general purpose but still in the unexpired phase. For example, an old bill from obligations incurred against an FY 1997 annual salaries and expense (S&E) account that arrives after the authority is canceled must be obligated and disbursed against the corresponding FY 2002 annual S&E account.

No-year authority usually stays in the unexpired phase until fully obligated and disbursed. When the purposes for which the authority was made available have been achieved, the account may be closed and the authority canceled.

(d) *Determining the amount of budget authority.*

If a law provides budget authority in a specific amount, we refer to it as *definite* budget authority. We consider the budget authority definite even if the language reads "not to exceed" a specified amount. You record the specified amount as budget authority. For example, this language would provided definite budget authority of $100 million: "For salaries and expenses, not to exceed $100,000,000."

If a law doesn't specify an amount of budget authority, but, instead, specifies a variable factor that determines the amount, we refer to the budget authority as *indefinite.* If the law provides "such sums as may be necessary" to cover the obligations resulting from an entitlement (such as unemployment insurance), record budget authority in the past year equal to the amount obligated and in other years equal to your estimate of obligations. If a law authorizes you to obligate all of the receipts from a specified

source, record budget authority equal to the amount of receipts you collected in the past year and equal to amounts you estimate you will collect in other years.

If a law appropriates a specific amount to be derived from receipts, it limits the amount of budget authority actually provided to the lower of the actual receipts or the amount specified. For example, if the language read, "... and, in addition, $75,000,000 of the amounts collected under section 101 of the Authorization Act of 1995," you could obligate only the amount actually collected, up to $75,000,000. Similarly, if a law appropriates an amount to be derived from a special or trust fund, it limits the amount of budget authority actually provided to the lower of the amount of the balances in the fund or the specified amount. For example, language that reads, "For necessary expenses, $1,500,000, to be derived from the Land Restoration Trust Fund," allows you to obligate only the amount actually in the fund and no more than $1,500,000. If a law authorizes you to obligate all of the receipts credited to a fund, record budget authority equal to the amount of receipts collected by the fund in the past year and equal to the amounts you estimate you will collect in other years.

Some laws that provide authority to borrow limit the amount of debt that may be outstanding at any one time. This may limit your ability to incur obligations indirectly, because you must consider your ability to borrow the cash needed to liquidate the obligations that will become due, but it doesn't determine the level of obligations directly. In such cases, treat the budget authority as indefinite and record the amount that you obligated in the past year or estimate you will obligate in other years. Under the BEA scorekeeping guidelines, OMB will score legislation that imposes or changes a limit of this type only to the extent that we estimate that it will alter the amount of obligations that will be incurred (see Appendix A, scorekeeping guideline no. 16).

Most budget authority provided in appropriations acts is definite, and most budget authority provided in other laws is indefinite.

(e) *Discretionary or mandatory budget authority.*

The Budget Enforcement Act of 1990 (BEA) requires us to classify budget authority (and outlays) as either discretionary spending or mandatory spending, and applies a different set of rules to each type of spending. We explain this further in section 20.9.

(f) *Unobligated balance of budget authority*

An unobligated balance consists of the cumulative amounts of budget authority that are not obligated and that remain available for obligation under law.

In budget execution, the unobligated balance of budget authority at the end of the year is the total amount that is available for obligation during the fiscal year.

In budget formulation, there is a related but not identical concept called "unobligated balance carried forward." These are the unobligated balances net of the balances that expire at the end of the fiscal year. Unobligated balances carried forward must meet *all* of the following conditions:

- They are balances of budget authority that have never been obligated or that have been obligated and deobligated.
- They are balances of budget authority that do not expire at the end of the fiscal year.
- You can quantify the amount by subtracting the obligations to date from the amount of budget authority provided (new budget authority and unobligated balances carried forward at the start of

the year from the previous fiscal year). That is, the law providing the budget authority must have specified a definite amount or an indefinite amount based on the appropriation of collections from a specified source. You can not quantify "such sums as may be necessary".

You shouldn't count unavailable offsetting receipts or unavailable offsetting collections as budget authority and, therefore, you shouldn't have any unobligated balances as a result of them. Report them in a schedule of unavailable collections (see section 86.6).

In budget schedules, such as the program and financing schedule, the unobligated balance carried forward at the end of a year is equal to the unobligated balance at the start of the next year.

The balances you report for the start and end of the past year must be consistent with the amounts reported in the Combined Statement published by the Department of the Treasury (previously called the Treasury Annual Report (TAR)). (See section 82.18.)

(g) *Obligated balance.*

The term obligated balance is a term of art that is defined in law as a "net" concept. It is *not* the unpaid obligations. The obligated balances are calculated as follows:

- Take the unpaid obligations (which is the sum of the accounts payable and the undelivered orders).
- Subtract the accounts receivable and the unfilled orders from Federal sources.

(h) *Reappropriation.*

Reappropriation means an extension in law of the availability of budgetary resources (budget authority or unobligated balances) that have expired or otherwise would expire except for the extension. A reappropriation counts as budget authority in the year in which the reappropriated amount becomes newly available. The law may reappropriate a specific amount or all of the unobligated balance of a previous appropriation.

For example, if an appropriation act for fiscal year 2002 provided budget authority with only one-year availability, the following language in a fiscal year 2003 appropriation act would result in a reappropriation: "Of the unobligated balances remaining available from appropriations made under this heading for fiscal year 2002, $10,000,000 shall remain available for fiscal year 2003 for the same purposes as other sums provided under this heading." In this case, you would record all of the unobligated fiscal year 2002 amounts as expiring, including the $10,000,000, and record $10,000,000 as a reappropriation in fiscal year 2003. This would count as $10,000,000 in new budget authority in 2003.

Another example would be if a general provision in an appropriation act for fiscal year 2002 reappropriated a portion of the balances at the end of the year with the following language; "… not to exceed 50 per centum of unobligated balances remaining available at the end of fiscal year 2002 from appropriations made available for salaries and expenses made for fiscal year 2002 in this Act, shall remain available through September 30 , 2003…." Unobligated balances of one-year 2002 appropriations for salaries and expenses expire after September 30, 2002. This language extends the availability, or reappropriates, 50 percent of these balances so that they can be used for new obligations through September 30, 2003. In this case, you would record all of the unobligated fiscal year 2002 amounts as expiring FY 2002 balances and 50 percent of that amount as a reappropriation (new budget authority) in fiscal year 2003.

(i) *Rescission.*

Rescission means a permanent cancellation in law of budgetary resources (budget authority or unobligated balances). You record a rescission as negative budget authority in the year it takes effect, regardless of whether it cancels budget authority or unobligated balances. A law that precludes the obligation of budgetary resources in one year and authorizes their obligation in a subsequent year in which they were not available for obligation, constitutes a rescission and a reappropriation. In such cases, you record a rescission in the first year and a reappropriation in the second. Include enacted rescissions in the regular program and financing and other regular schedules. Proposed rescissions require separate budget schedules (see section 82.9).

Amounts rescinded from special fund accounts revert either to unavailable collections of the special fund or to the general fund of the Treasury, depending on the circumstances and the specific requirements of the law making the rescission. As a general rule, amounts rescinded from an annually appropriated special fund account revert to unavailable collections, which may be appropriated subsequently. However, if the rescinding law indicates that the rescinded amounts are *permanently* canceled, the amounts revert to the general fund and are not available for subsequent appropriation. A rescission of permanently appropriated special fund receipts reverts to the general fund of the Treasury, and the receipts are no longer available for appropriation as special fund receipts.

(j) *Transfer.*

(1) *Definition.* Transfer means to reduce budgetary resources (budget authority and unobligated balances) in one account and increase them in another, by the same amount.

(2) *Authority.* You can't make a transfer unless a law authorizes it. The law may specify a particular transfer or provide general transfer authority within specified limits.

(3) *Expenditure transfer or nonexpenditure transfer.* You record a transfer as an *expenditure* transfer, one that involves an outlay, or as a *nonexpenditure* transfer, one that doesn't involve an outlay. Which you record usually depends on the purpose of the transfer, as explained in the following table. See also exhibit 20.

If the transfer...	Record as...
(1) purchases goods or services for the transferring account (for example, a rental payment to GSA's Federal Buildings Fund) or otherwise benefits the transferring account...	An expenditure transfer.
(2) shifts budgetary resources between Federal funds (general, special, and revolving fund accounts) and trust funds (trust fund and trust revolving fund accounts), regardless of the purpose...	An expenditure transfer.
(3) reduces budgetary resources available for the activities of the transferring account and increases them for the activities of the receiving account (for example, a transfer of unobligated balances from the construction account to the salaries and expense account to fund pay raises) other than between Federal and trust funds...	A non-expenditure transfer.
(4) corresponds to a transfer of an activity from one account to another (such as in a reorganization)...	A non-expenditure transfer.

(4) *Recording transfers in the budget:*

- *Expenditure transfers.* Record an expenditure transfer as an obligation (against new budget authority or unobligated balances) and an outlay in the transferring account and as an

offsetting collection or offsetting receipt in the receiving account (see section 20.7). If the receiving account is a general fund appropriation account or a revolving fund account, credit the amount as an offsetting collection to the appropriation or revolving fund account. If the receiving account is a special fund or trust fund account, credit the amount as an offsetting receipt to a receipt account of the fund.

- *Nonexpenditure transfers.* Do not record an obligation or an outlay or an offsetting collection or offsetting receipt. Record nonexpenditure transfers as a reduction either in budget authority or unobligated balances in the transferring account and as an increase either in budgetary authority or unobligated balances in the gaining account. Whether you record the reduction and increase as a change in budget authority or unobligated balances, depends on the circumstances, as described in the following table.

If you transfer...	And the transfer...	Record...
(1) unobligated balances	Results from a transfer specified in law that changes the purpose for which the funds will be used	a reduction of budget authority in the transferring account and an increase in budget authority in the gaining account.
(2) unobligated balances	• results from general transfer authority, or • corresponds to a transfer of an activity such that the purpose does not change	A reduction of unobligated balances in the transferring account and an increase in unobligated balances in the gaining account.
(3) budget authority in the year it becomes available	Is for any purpose	a reduction of budget authority in the transferring account and an increase in budget authority in the gaining account.

(k) *Transfer in the estimates.*

A transfer in the estimates means the budget proposes to stop funding an activity under one budget account and start funding the activity under another budget account, beginning in the budget year. This does not involve a transfer of budgetary resources, like that discussed in subsection (j). You simply stop showing budget authority in the one account and start showing it in the other. A transfer in the estimates usually reflects a proposal to do one of the following in the budget year:

- Transfer the funding of an activity from one account to another.
- Consolidate funding for related activities from two or more accounts into a single account.
- Disaggregate the funding for an activity from one account between two or more accounts.

You must indicate a transfer in the estimates by footnoting the program and financing schedules of the transferring and receiving accounts (see section 82.12).

(l) *Allocation.*

Allocation means a delegation, authorized in law, by one agency of its authority to obligate budget authority and outlay funds to another agency. When an agency makes such a delegation, the Treasury Department establishes a subsidiary account called a "transfer appropriation account," and the receiving agency may obligate up to the amount included in the account. The budget doesn't show the transfer appropriation account separately. The budget schedules for the parent account include the obligations by the other agency against the subsidiary account without separate identification, except in the object class schedule (see section 83.17). Allocations are appropriate where the receiving agency is acting as the agent for the allocating agency. Where the receiving account is simply providing goods or services on a reimbursable basis, such as transactions under the Economy Act, record an expenditure transfer (see section 20.4(j)).

20.5 When should I record obligations and in what amounts?

(a) The general rule.

Obligation means a legally binding agreement that will result in outlays, immediately or in the future. When you place an order, sign a contract, award a grant, purchase a service, or take other actions that require the Government to make payments to the pubic or from one Government account to another, you incur an obligation. It is a violation of the Antideficiency Act (31 U.S.C. 1341(a)) to involve the Federal Government in a contract or obligation for payment of money *before* an appropriation is made, unless authorized by law. This means you can not incur obligations in a vacuum; you incur an obligation against budget authority in a Treasury account that belongs to your agency. It is a violation of the Antideficiency Act to incur an obligation in an amount *greater* than the amount available in the Treasury account that is available. This means that the account must have budget authority sufficient to cover the total of such obligations at the time the obligation is incurred. In addition, the obligation you incur must conform to other applicable provisions of law, and you must be able to support the amounts reported by the documentary evidence required by 31 U.S.C. 1501. Moreover, you are required to maintain certifications and records showing that the amounts have been obligated (31 USC 1108). The following provides additional guidance on when to record obligations for the different types of goods and services or the amount.

(b) *Personnel compensation and benefits*

For personnel compensation and benefits the issue is usually the "timing" of the obligation and not the "amount" of the obligation. The amount is prescribed by laws that cover the civil service and the uniformed service and determined through by well-established personnel procedures. As for the timing of the obligation, the amounts generally are recorded as obligations as the amounts are earned during the reporting pay period, with the following exceptions:

Type of obligations...	At the time ...	Because...
Severance pay.	It is paid on a pay period by pay period basis.	Severance pay is not earned with regular salaries and wages.
Authorized reimbursable expenses estimated to be paid to employees for real estate, temporary subsistence, and other	The individual travel orders are approved.	The travel is a bona fide need at the time the order is approved.

Type of obligations...	At the time ...	Because...
expenses incident to relocation at the request of the Government.		
Cash awards that do not become part of the employee's basic rate of pay. Allowances for uniforms and quarters. Subsidies for commuting costs.	When payable to the employee.	This is the time the amount is definite.
Unemployment compensation payments to the Department of Labor for former Federal employees	When the agency receives the bills rendered by Labor.	Underlying law.
Annual leave	When it becomes due and payable as terminal leave or taken in lieu of a lump sum payment	Normally, annual leave is unfunded.
Funded annual leave	When you transfer a person from a revolving fund to another revolving fund, you obligate the employee's share of funded annual leave and you pay it to the fund to which the employee is transferred.	The revolving fund to which the employee is transferred will pay the employee's salary and wages when the employee takes the annual leave or will pay the lump sum terminal leave for any annual leave not taken.
	When you transfer a person from a revolving fund to a non-revolving fund, you obligate the employee's portion of the funded annual leave and pay miscellaneous receipts in the general fund of the Treasury	The appropriation from the general fund in the Treasury will pay the employee's salaries and wages when the employee takes the annual leave or will pay the lump sum terminal leave for any annual leave not taken.

(c) *Contractual services and supplies.*

Services and supplies that are purchased by contract and any potential Federal Government cancellation and/or termination costs are recorded as obligations at the time there is a binding agreement, which is usually when the contract is signed, and in the amount of the maximum liability to the Federal Government under the terms of the contract. The following provides the nuances of contracts with certain characteristics.

Contracts with...	Amount obligated is…	At the time ...
A maximum price	The maximum price.	The contract is signed.
	Amount of downward adjustments, if any.	There is documentary evidence that the price is reduced.
Letters of intent and letter contracts.	Normally, no amount is obligated.	The letter is signed,.
However, IF the lettters constitute binding agreements under which the contractor is authorized to proceed.	The maximum amount indicated in the letter that the contractor is authorized to incur to cover expenses prior to the execution of a definitive contract.	
Contracts for variable quantities.	Normally, no amount is obligated.	The contract is signed.
The contracts are usually followed by "purchase orders" that do obligate the Government.	The amount of actual orders.	The order is received.
Orders where a law "requires" that you to place orders with another Federal Government account.	The amount of the order.	The order is issued.
Voluntary orders with other Federal Government accounts:	The amount of the order.	
If the order is for common-use standard stock item the supplier has on hand or on order at published prices.		That you issue the order to the supplier.
If the order is for stock items other than the above.		You receive a formal notification that the items are on hand or on order.
If the order involves execution of a specific contract.		The supplying agency notifies you that it has entered into the contract.

(d) Land and structures

Contracts for lands and structures generally follow the same rules as for contracts specified above with the following exceptions.

Contracts with...	Amount obligated is…	At the time ...
Condemnation proceedings.	The estimated amount for the price of the land, adjusted to the amount of the payment to be held in escrow where there is a declaration of taking.	When you ask the Attorney General to start condemnation proceedings.
Lease-purchases and capital leases covered by the score keeping rules developed under the Budget Enforcement Act.	The present value of the lease payments, discounted using the Treasury interest rate used in calculating the budget authority provided for the purchase.	The contract is signed.
	The imputed interest costs (that is, the financing costs Treasury would have incurred if it had issued the debt to acquire the asset)	During the lease period.

(e) *Grants and fixed charges*.

Discretionary grants will be obligated after the amounts are determined administratively and recorded at the time the grant award is signed. The grant award is normally the documentary evidence that the grant has been awarded. Letters of credit are issued after the grant awards are made and generally are not obligating documents.

For grants and fixed charges with formulas in law that automatically fix the amount of the charges, the amount determined by the formula or, if there is an appropriation, then the amount appropriated, whichever is smaller. The obligation is reported at the time the amount becomes payable to the grantee.

The exceptions follow.

Grants or fixed charges..	Amount obligated is…	At the time ...
In lieu of taxes.	The amount appropriated.	The taxes are due.
Interest.	The amount owed.	The interest is payable.
Dividends.	The amount declared.	The dividend is declared.

(f) Federal credit programs.

Obligations in Federal credit programs generally follow the same rules as for " personnel compensation and benefits" and "contracts" specified above with the following exceptions.

The amount is..	Amount obligated is…	At the time ...
Subsidy in direct loan program account	The portion of the subsidy cost for the direct loan contract that you are signing	You sign the direct loan contract and incur the direct loan obligation in the credit financing account.
Subsidy in guaranteed loan program account.	The portion of the subsidy cost for the binding agreement to make a loan guarantee.	You make the loan guarantee commitment, that is, when you enter into a binding agreement to make a loan guarantee when special conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

20.6 What do I need to know about outlays?

Outlay means a payment to liquidate an obligation (other than the repayment to the Treasury of debt principal). Outlays are a measure of Government spending. As required by law, the budget presents some outlays as "on-budget" and some as "off-budget." Total outlays for the Federal Government include both on-budget and off-budget outlays. Government-wide outlay totals are stated net of refunds, offsetting collections, and offsetting receipts. Function, subfunction, and agency outlay totals are stated net of related refunds, offsetting collections, and offsetting receipts for most budget presentations. (Offsetting receipts from a few sources do not offset any specific function, subfunction, or agency but only offset Governmentwide outlay totals.) Outlay totals for accounts with offsetting collections are stated both gross and net of the offsetting collections credited to the account. However, the outlay totals for special and trust funds with offsetting receipts are not stated net of the offsetting receipts.

The Government usually makes payments in the form of cash (currency, checks, or electronic fund transfers), and you normally record outlays equal to the disbursement at the time of the disbursement. Normally the amount of cash disbursed appropriately measures the value of the transaction. In other cases, however, the cash disbursed does not accurately measure the value of the transactions. In these cases, we require you to record the cash-equivalent value of the transactions (see section 20.8).

Not every disbursement is an outlay, because not every disbursement liquidates an obligation. You don't record outlays for the following:

- Repayment of debt principal, because we treat borrowing and the repayment of debt principal as a means of financing.

- Disbursements to the public by Federal credit programs for direct loan obligations and loan guarantee commitments made in fiscal year 1992 or later (and those made prior to that year if they have been modified), because we treat the cash flows to and from the Government for credit programs as a means of financing. We record outlays equal to the subsidy cost of direct loans and loan guarantees when the underlying direct or guaranteed loans are disbursed. Disbursements from liquidating accounts for direct loan obligations and loan guarantee commitments made prior to fiscal year 1992 are treated as outlays (see section 185).

- Disbursements from deposit funds, because these funds are on deposit with the Government but are not owned by the Government and are therefore excluded from the budget (see section 20.7).

- Refunds of receipts that result from overpayments, because they are recorded as reductions of receipts, rather than as outlays (see section 20.10).

The timing for recording outlays for interest payments varies. Treasury records outlays for the interest on the public issues of Treasury debt securities as the interest accrues, not when it pays the cash. However, most Treasury debt securities held by Government accounts are in the Government account series. Treasury normally records the interest payments on these securities when it pays the cash. (And you normally record an offsetting collection or receipt on a cash basis.) Four trust funds in the Department of Defense, the Military retirement trust fund, the Education benefits trust fund, the Defense cooperation fund, and the Medicare-eligible health care fund, routinely have relatively large differences between purchase price and par. For these funds, we've instructed the Department to record the holdings of debt at par but record the differences between purchase price and par as adjustments to the assets of the funds that are amortized over the life of the security. The Department records interest as the amortization occurs. We discuss the budget treatment of investment transactions in section 20.12.

Outlays during a fiscal year may liquidate obligations incurred in the same year or in prior years. Obligations, in turn, may be incurred against budget authority provided in the same year or against unobligated balances of budget authority provided in prior years. Outlays, therefore, flow in part from budget authority provided for the year in which the money is spent and in part from budget authority provided in prior years. The ratio of the outlays resulting from budget authority enacted in any year to the amount of that budget authority is referred to as the spendout rate for that year.

Outlays for the past year must agree with amounts reported in the Treasury Combined Statement (formerly the Department of the Treasury's Annual Report), unless OMB approves an exception.

20.7 What do I need to know about receipts, offsetting collections, and offsetting receipts?

(a) *Overview.*

The budget records money collected by Government agencies two different ways. Depending on the nature of the activity generating the collections, they are recorded as either—

- receipts, which are compared in total to outlays (net of offsetting collections and offsetting receipts) in calculating the surplus or deficit (see section (b)); or

- offsetting collections or offsetting receipts, which are deducted from gross outlays to produce net outlays (see section (c)).

The Government normally receives collections in the form of cash, and you normally record receipts, offsetting collections, or offsetting receipts equal to the amount of cash received at the time of the collection. Normally the amount of cash collected appropriately measures the value of the transaction. In other cases, however, the cash collected does not accurately measure the value of the transactions. In these cases, you record the cash-equivalent value of the transactions (see section 20.8).

The table below summarizes the distinction between receipts, offsetting collections, and offsetting receipts. We discuss them in more depth in the following sections.

For budget accounting purposes, user charges are not a separate category. They can be either receipts, offsetting collections, or offsetting receipts. However, user charges are often discussed in the budget as a separate category. We discuss them below in section (d).

We don't record some monies received by the Government in the budget totals at all, because they are not income. For example, the proceeds of borrowing are not income. We refer to the proceeds of borrowing and certain other transactions as *means of financing,* because they are a means of financing outlays when there is a deficit. We discuss means of financing in section (e).

SUMMARY EXPLANATION OF COLLECTIONS

Type of collection	What kind of transactions produce these collections?	How do these collections affect the surplus or deficit?	What are some examples?
Receipts	• The exercise of the Government's sovereign or governmental powers. • Gifts from the public.	The difference between receipts and outlays (net of offsetting collections and offsetting receipts) determines the surplus or deficit.	• Individual income taxes. • Corporation income taxes. • Social insurance and retirement receipts (on-budget and off-budget). • Excise taxes. • Estate and gift taxes. • Customs duties. • Fines and penalties.
Offsetting collections and offsetting receipts (see the following tables for categories)	• Business-like or market oriented activities with the public. • Intragovernmental transactions (collections of payments from one Government account to another).	Offsetting collections and offsetting receipts are deducted from gross outlays to produce net outlays. The difference between net outlays and receipts determines the surplus or deficit.	• Proceeds from the sale of postage stamps. • Fees charged for admittance to recreation areas. • Proceeds from the sale of Government owned land. • Rent collected by GSA from other agencies for office space.

(b) *Receipts.*

Receipts are collections from the public that result primarily from the Government's exercise of its sovereign or governmental powers to compel payment. They consist mostly of individual and corporation income taxes and social insurance taxes, but also include excise taxes, compulsory user charges, customs

duties, court fines, certain license fees, and deposits of earnings by the Federal Reserve System. They also include gifts and donations. Total receipts for the Federal Government include both on-budget and off-budget receipts.

A general law requires you to credit receipts to the general fund of the Treasury. However, other laws override this requirement for specified receipts, requiring separate accounting for them and designating them to be used for a specified purpose. We call this "earmarking" and establish a special fund or, if the law requires, a trust fund for that purpose. Earmarking receipts doesn't affect their classification as receipts or offsetting receipts. Also, the authority to earmark receipts, by itself, does not provide budget authority. As a separate matter, the authorizing language will indicate whether the receipts are available for obligation and expenditure without further appropriation or are available only to the extent provided in annual appropriations acts.

Certain provisions of law require us to treat some receipts that are governmental in nature as offsetting collections or offsetting receipts. We designate these as "offsetting governmental collections" or "offsetting governmental receipts" (see below).

(c) *Offsetting collections and offsetting receipts.*

The budget records offsetting collections and offsetting receipts as offsets to budget authority and outlays, rather than as receipts. The difference between offsetting collections and offsetting receipts is the way we account for them under the laws that authorize them. The following two tables summarize the various categories of offsetting collections and offsetting receipts and their treatment in the budget. The text following the table discusses offsetting collections and offsetting receipts in more depth.

CATEGORIES OF OFFSETTING COLLECTIONS

Type of offsetting collection	What kind of transactions produce these collections?	How are they recorded in the budget?	What are some examples?
Offsetting collections from Federal sources	Collections of payments from one Government account to another.	In the program and financing schedule for the expenditure account as offsets to gross budget authority and outlays.	Rent collected by GSA from other agencies for office space.
Interest on Federal securities	Investing balances in Federal securities as provided in law.	In the program and financing schedule for the expenditure account as offsets to gross budget authority and outlays.	Interest received on investments in Federal securities by a revolving fund.
Interest on uninvested funds	Maintaining uninvested balances on which Treasury pays interest as provided in law.	In the program and financing schedule for the expenditure account as offsets to gross budget authority and outlays.	Interest paid to all credit program financing accounts.
Offsetting collections from non-Federal sources	Business-like or market oriented activities with the public.	In the program and financing schedule for the expenditure account as offsets to gross budget authority and outlays.	Proceeds from the sale of postage stamps.

Type of offsetting collection	What kind of transactions produce these collections?	How are they recorded in the budget?	What are some examples?
Offsetting governmental collections	Collections that are governmental in nature but required by law to be treated as offsetting collections.	In the program and financing schedule for the expenditure account as offsets to gross budget authority and outlays.	Regulatory fees required by law to be treated as offsetting collections.

CATEGORIES OF OFFSETTING RECEIPTS

Type of offsetting receipt	What kind of transactions produce these receipts?	How are they recorded in the budget?	What are some examples?
Proprietary receipts from the public	Business-like or market oriented activities with the public.	In receipt accounts, the amounts of which are normally deducted from gross budget authority and outlays at the subfunction and agency levels.[1]	Fees charged for admittance to recreation areas.
Intragovernmental transactions	Collections of payments from one Government account to another.	In receipt accounts, the amounts of which are normally deducted from gross budget authority and outlays at the subfunction and agency levels.[1]	See examples under "interfund receipts" and "intrafund receipts."
• Interfund receipts	Collections of payments by Federal funds to trust funds and vice versa.	In addition to offsetting budget authority and outlays at the subfunction and agency level, interfund receipts credited to Federal funds offset the Federal funds totals for budget authority and outlays, and interfund receipts credited to trust funds offset the trust funds totals for budget authority and outlays.	• Federal agency contributions to employee insurance and retirement trust funds. • Trust fund earnings on investments in Federal securities.
• Intrafund receipts	Collections of payments by Federal funds to other Federal funds and by trust funds to other trust funds.	In addition to offsetting budget authority and outlays at the subfunction and agency level, intra-fund receipts credited to Federal funds offset the Federal funds totals for budget authority and outlays, and intrafund	• Special fund earnings on investments in Federal securities. • Railroad retirement trust fund collections of Social Security

Type of offsetting receipt	What kind of transactions produce these receipts?	How are they recorded in the budget?	What are some examples?
		receipts credited to trust funds offset the trust funds totals for budget authority and outlays.	equivalent payments from Social Security trust funds.
Offsetting governmental receipts	Collections that are governmental in nature but required by law to be treated as offsetting receipts.	In receipt accounts, which are deducted from gross budget authority and outlays at the subfunction and agency levels.	Regulatory fees required by law to be treated as offsetting receipts.

[1] OMB designates most offsetting receipts as "distributed," meaning they offset budget authority and outlays at the subfunction and agency level (and, in turn, the Government-wide budget authority and outlay totals), but designates offsetting receipts from certain sources as "undistributed," meaning they offset the Government-wide budget authority and outlay totals only.

Offsetting collections and offsetting receipts result from either of two kinds of transactions:

1. *Business-like or market-oriented activities with the public.* If you sell a product or service to the public, you record the proceeds as offsetting collections or offsetting receipts. For example, the U.S. Postal Service records the proceeds from the sale of postage stamps as offsetting collections. In the budget, we deduct such offsetting collections and offsetting receipts from gross budget authority and outlays, rather than add them to governmental receipts. We do this so that the budget totals for receipts, budget authority, and outlays will represent only governmental, rather than market activity.

2. *Intragovernmental transactions.* You also record collections you receive from another Government account as offsetting collections or offsetting receipts. For example, the General Services Administration records payments it receives from other Government agencies for the rent of office space as offsetting collections in the Federal Buildings Fund. In the budget, we deduct intragovernmental offsetting collections and offsetting receipts from gross budget authority and outlays so that the budget totals measure the transactions of the Government with the public.

We use the term *offsetting collections* to refer to amounts credited to expenditure accounts and the term *offsetting receipts* to refer to amounts credited to receipt accounts. The way we record them depends on what the law requires. The following sections explain the differences in accounting for such collections.

(1) *Offsetting collections.* Some laws authorize agencies to credit collections directly to the account from which they will be spent and, usually, to be spent for the purpose of the account without further action by Congress. Most revolving funds operate with such authority. For example, a permanent law authorizes the Postal Service to use collections from the sale of stamps to finance its operations without a requirement for annual appropriations. The Postal Service records these collections in the Postal Service fund (a revolving fund) and records budget authority in an amount equal to the collections. As another example, GSA records the intragovernmental collections of the Federal Buildings Fund in the same manner as the Postal Service fund. In some cases, laws authorize agencies to charge fees and use them to defray a portion of costs mostly financed by appropriations from the general fund. In such cases, the agency records the offsetting collections and resulting budget authority in the general fund expenditure account. The authority

to incur obligations against offsetting collections credited to an account is a form of budget authority (see section 20.4).

While most offsetting collections result from business-like activity or are collected from other Government accounts, some are governmental in nature but are required by law to be treated as offsetting. The budget labels these "offsetting governmental collections."

Note: You may incur obligations against spending authority from offsetting collections when you have an order from another Federal account, even though you haven't received the cash payment, provided that the paying account has obligated an accounts payable in the amount of the order. Essentially, you are incurring an obligation against an accounts receivable from another Federal Government account. (This does not apply to orders from non-Federal entities.) However, you may not overexpend, i.e., disburse into a negative position. This means you may not liquidate the obligation until you collect the receivable or unless you have working capital to liquidate the obligation.

(2) *Offsetting receipts.* If the law doesn't authorize you to credit offsetting collections to an expenditure account, you must record them in a receipt account. Absent authority to earmark them, you credit them to the general fund receipt account designated by Treasury and OMB. If the law requires earmarking, you credit them to the special fund or trust fund receipt account established by Treasury and OMB. In the budget, we deduct offsetting receipts from budget authority and outlays in arriving at total budget authority and outlays. Unlike offsetting collections, offsetting receipts don't offset budget authority and outlays at the account level. The budget normally records the offset at the subfunction and agency levels. In a few cases we record the offset at the government-wide level to avoid distorting the budget authority and outlays totals for an agency or function.

We further subdivide offsetting receipts for purposes of budget accounting. When OMB, working with Treasury, establishes an account for the receipts from a particular source, we will designate each receipt account as one of these receipt types (see section 79.3):

- *Proprietary receipts from the public.* These offsetting receipts result from the business-type or market-oriented activities of the Government with the public. In the budget, we deduct most proprietary receipts from the budget authority and outlay totals of the agency that conducts the activity generating the receipt and of the subfunction to which we have assigned the activity. For example, we deduct fees for using National Parks from the totals for the Department of the Interior and the recreational resources subfunction. In a few cases, we don't offset proprietary receipts against any specific agency or function. We classify them as undistributed offsetting receipts and deduct them from Government-wide totals for budget authority and outlays. For example, the collections of rents and royalties from outer continental shelf lands are undistributed, because the amounts are large and for the most part are not related to the spending of the agency that administers the transactions and the subfunction that records the administrative expenses.

- *Intragovernmental transactions.* These are collections of payments from expenditure accounts that are deposited into receipt accounts. In the budget, we deduct most intragovernmental transactions from the budget authority and outlays of the agency that conducts the activity generating the receipts and of the subfunction to which we have assigned the activity. In two cases, however, we present intragovernmental transactions in the budget as deductions in computing total budget authority and outlays for the Government as a whole rather than as offsets at the agency level—agencies' payments as

employers into employee retirement funds and interest received by trust funds. The special treatment for these receipts is necessary because the amounts are large and would distort the agency totals, as measures of the agency's activities, if they were attributed to the agency. We further divide intragovernmental transactions into two subcategories:

- Interfund receipts, which are derived from payments between Federal and trust funds.
- Intrafund receipts, which are derived from payments within the same fund group (that is, within the Federal fund group or within the trust fund group).

- *Offsetting governmental receipts.* These are collections that are governmental in nature but that laws require us to treat as offsetting receipts.

(d) *User charges.*

User charge means a fee, charge, or assessment the Government levies on a class directly benefitting from, or subject to regulation by, a Government program or activity. We record user charges as receipts, offsetting collections, or offsetting receipts using the criteria described above. The authorizing law must limit the payers of the charges to those benefiting from, or subject to regulation by, the program or activity. The group of payers may not be so broad as to consist of the general public or a broad segment of the public.

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User charges include:

- Collections from non-Federal sources for goods and services provided (for example, the proceeds from the sale of goods by defense commissaries, electricity by power marketing administrations, and stamps by the Postal Service; fees charged to enter national parks; and premiums charged for flood and health insurance);
- Voluntary payments to social insurance programs, such as Medicare Part B insurance premiums;
- Miscellaneous customs fees (for example, United States Customs Service merchandise processing fees);
- Proceeds from asset sales (property, plant, and equipment);
- Proceeds from the sale of natural resources (such as timber, oil, and minerals);
- Outer Continental Shelf receipts;
- Spectrum auction proceeds;
- Many fees for permits, and regulatory and judicial services; and
- Specific taxes and duties on an exception basis.

User charges do not include:

- Collections from other Federal accounts;
- Collections associated with credit programs;

- Realizations upon loans and investments;
- Interest, dividends, and other earnings;
- Payments to social insurance programs required by law;
- Excise taxes;
- Customs duties;
- Fines, penalties, and forfeitures;
- Cost-sharing contributions; and
- Federal Reserve System deposits of earnings.

(e) *Means of financing.*

These are monies received or paid by the Government that are not counted in the budget totals as either income (receipts, offsetting collections, or offsetting receipts) or outgo (outlays). Borrowing and the repayment of debt are the primary means of financing. Others are listed below. These monies finance outlays when there is a deficit—that is, when outlays (net of offsetting collections and offsetting receipts) exceed receipts. When there is a surplus—that is, when receipts exceed outlays (net of offsetting collections and offsetting receipts)—they may be used, together with the surplus receipts, to retire debt. Under some circumstances, one means of financing will require financing by the others. For example, if the disbursements from credit financing accounts exceed their collections, the difference must be financed by receipts or the other means of financing. The means of financing other than borrowing and repayment of debt include:

- Net financing disbursements by direct loan and guaranteed loan financing accounts.
- Seigniorage (the profit from coining money) and profits on the sale of gold (a monetary asset).
- Certain exchanges of cash, such as deposits by the U.S. in the International Monetary Fund.
- Changes in Treasury's operating cash balance, uninvested deposit fund balances, and checks outstanding.
- Treasury debt buyback premiums and discounts (see section 20.12).

20.8 What do I need to know about cash-equivalent transactions?

Normally the amount of cash disbursed or collected is the appropriate measure of the value of the transaction, and you record outlays or collections equal to the cash that changes hands. In other cases, however, the cash disbursed or collected doesn't accurately measure the value of the transactions. In these cases, you should record the cash-equivalent value of the transactions in the budget. The following are some examples of cash-equivalent transactions:

- *Federal employee salaries*. You record an outlay for the full amount of an employee's salary, even though the cash disbursement is net of Federal and state income taxes, retirement

contributions, life and health insurance premiums, and other deductions. We record collections for the deductions that are payments to the Government.

- *Debt instruments*. When the Government receives or makes payments in the form of debt instruments (such as bonds, debentures, monetary credits, or notes) in lieu of cash, we record collections or outlays in the budget on a cash-equivalent basis. The Government can borrow from the public to raise cash and then outlay the cash proceeds to liquidate an obligation, or, if authorized in law, it may liquidate the obligation by issuing securities in lieu of the cash. The latter method combines two transactions into one—borrowing and an outlay. Combining these transactions into one does not change the nature of the transactions. Since the two methods of payment are equivalent, we require you to record the same amount of outlays for both cases. Similarly, when the Government accepts securities in lieu of cash from the public in payment of an obligation owed to the Government, we record collections. In one program, for example, a Government agency may choose whether to pay default claims against it in cash or by issuing debentures in lieu of cash; the agency records the same amount of outlays in either case. In turn, a recipient of these debentures may choose to pay the fees that it owes to the Government either in cash or by returning debentures of equivalent value that it holds. The agency records the same amount of collections in either case.

- *Lease-purchases*. We require you to record an outlay for the acquisition of physical assets through certain types of lease-purchase arrangements as though the transaction was an outright purchase. Lease-purchase transactions in which the Government assumes substantial risk are equivalent to the Government raising cash by borrowing from the public and purchasing the asset directly by disbursing the cash proceeds. So, we require you to report outlays over the period that the contractor constructs, manufactures, or purchases the asset that will be leased to the Government, not when the Government disburses cash to the developer for lease payments. Because the Government pays no cash up front to the nominal owner of the asset, the transaction creates a Government debt. In such cases, we treat the subsequent cash lease payments as the equivalent of interest outlays on that debt and principal repayments. (See Appendix B).

The scorekeeping effect of cash-equivalent transactions applies to budget authority, as well as to outlays and collections. You record the authority to incur obligations that will be liquidated through cash-equivalent payments as budget authority.

The use of cash-equivalents often results in an increase or decrease in Federal debt. In the previous example of the Government using debentures to pay claims, we record the issuance of a debenture as an increase in debt, and we record the Government's acceptance of a debenture for payment of fees as a reduction in debt. We also record an increase in debt as the means of financing the cash-equivalent outlays of lease-purchase arrangements in which the Government assumes substantial risk.

20.9 What do I need to know about discretionary spending, mandatory spending, and PAYGO?

(a) *Overview.*

The Budget Enforcement Act of 1990 (BEA) (see section 15.3) divides spending into two types:

1. *Discretionary spending* means the budget authority controlled by annual appropriations acts and the outlays that result from that budget authority. For example, the budget authority and outlays for the salaries and other operating expenses of Government agencies are usually controlled by annual appropriations acts and, therefore, are usually discretionary.

2. *Mandatory spending* means budget authority and outlays resulting from permanent laws. For example, permanent laws authorize payments for Medicare and Medicaid, unemployment insurance benefits, and farm price supports, so the budget authority and outlays for these programs are mandatory. In addition, the BEA defines several programs as "appropriated entitlements and mandatories" and classifies their spending as mandatory spending. In these cases, appropriations acts nominally provide the budget authority but don't actually control it, because the authorizing law creates an entitlement. Also, the BEA specifically defines funding for the Food Stamp program as mandatory spending, even though annual appropriations acts provide funding for the program and the authorizing legislation doesn't create an entitlement. Mandatory spending is the term commonly used for this kind of spending, although the BEA calls it "direct spending."

The Joint Explanatory Statement of the Committee of Conference for the Balanced Budget Act of 1997 (Public Law 105–33), which most recently amended the BEA, listed all accounts under the Appropriations Committees' jurisdiction at the time. It classified accounts as discretionary by category or as appropriated entitlements and mandatories. The "scorekeepers" (House and Senate Budget Committees, CBO, and OMB) consult on the classification of new accounts and may reclassify an existing account. OMB indicates the BEA classification for an account when it is established in the MAX database (see section 81.3). While mandatory and discretionary classifications are used for measuring compliance with the BEA, they do not determine whether a program provides legal entitlement to a payment or benefit. You should address questions about BEA classifications and legal entitlements to your OMB representative.

The BEA applies one set of rules to discretionary spending and another to mandatory spending and receipts. The BEA applies the same rules to receipts as apply to mandatory spending, because receipts are generally controlled by permanent laws. The BEA refers to the rules that apply to mandatory receipts and spending as "pay-as-you-go" (PAYGO) requirements. The BEA itself sets the basic rules, but the Explanatory Statement referred to in the previous paragraph provided scorekeeping guidelines that the scorekeepers must use in interpreting the rules. The BEA authorizes the scorekeepers to revise the guidelines if all agree on the revision. Appendix A contains the current guidelines.

The BEA expires after fiscal year 2002.

(b) *Discretionary spending caps.*

The BEA defined categories of discretionary spending that have varied from year to year. For 2001 they are highways, mass transit, and all other discretionary spending. The Interior appropriations act for 2001 added the conservation spending category to the existing categories beginning in 2002. This category is divided into six subcategories: Federal and State Land and Water Conservation Fund; State and Other Conservation; Urban and Historic Preservation; Payments in Lieu of Taxes; Federal Deferred Maintenance; and Coastal Assistance. The BEA specifies caps through 2003 for the highways and mass transit categories and through 2006 for the conservation spending category, although the discretionary spending provisions of the BEA will expire after 2002 if not extended by law. In some earlier years there were separate categories for defense and for violent crime reduction. The BEA caps both budget authority and outlays for each fiscal year for the conservation spending and other discretionary categories, but it caps only outlays for each fiscal year for highways and mass transit.

The BEA requires OMB to adjust the caps upward for appropriations for emergencies—any appropriation designated as emergency spending by both the Congress and the President—and appropriations for certain specified purposes, such as continuing disability reviews by the Social Security Administration. Thus, these appropriations cannot trigger a sequestration. The BEA also requires OMB, in consultation with Congress, to adjust the caps for the effects of conceptual changes.

If the Congress and the President designate an appropriation as an emergency requirement, we score the appropriations act for the budget authority and estimated outlays when it is enacted, and we increase the discretionary caps by the same amounts in the next sequestration report. This is the case even if the language makes the appropriation contingent on the President's notifying Congress that he is making the appropriation available for emergency spending.

The BEA requires special cap adjustments for the highways and mass transit categories to align the cap levels with highway receipts. It also requires a special cap adjustment for th`e conservation spending category. If appropriations in this category are less than the levels specified, the caps for the following year are adjusted upward by the amount of the shortfall. In addition, the BEA specifies minimum levels of spending for six subcategories of conservation spending. If appropriations for a subcategory for a fiscal year are less than the amount specified, the minimum level for the following year is adjusted upward by the amount of the shortfall. The subcategory levels are not caps. That is, appropriations in excess of a subcategory level would not necessarily trigger a sequestration. A sequestration would be triggered only if the aggregate of amounts appropriated for conservation spending exceeded the overall cap for the conservation spending category. In general, Appropriations Committee actions are discretionary.

The BEA requires that substantive changes to or restrictions on entitlement law or other mandatory spending law in appropriations laws (including changes in offsetting receipts or collections) be treated as changes in discretionary spending for the purposes of scoring those appropriations laws. However, in the subsequent budget, OMB may decide to reclassify such changes, especially in accounts that are generally mandatory, and make a compensating adjustment to the discretionary caps. This is sometimes referred to as "rebasing."

Where obligation limitations set in appropriations acts limit permanent budget authority, except trust fund accounts in the Department of Transportation, we redefine the budget authority for the account as discretionary in an amount equal to the limit. For Transportation trust funds, the budget authority remains mandatory, although the funds' outlays are discretionary.

If the amount of budget authority provided in appropriations acts for the year exceeds the cap on budget authority for a category, or if OMB estimates of the amount of outlays for the year resulting from all discretionary budget authority exceed the cap on outlays for a category, the BEA specifies a procedure, called sequestration, for reducing the spending in that category. The BEA requires the President to issue a sequestration order reducing most programs in the category by a uniform percentage. Special rules apply in reducing some programs, and the BEA exempts some programs from sequestration.

The BEA's sequestration rules cover supplemental appropriations enacted during the fiscal year. From the end of a session of Congress through the following June 30th, discretionary sequestrations take place whenever an appropriations act for the current fiscal year breaches a cap. Because a sequestration in the last quarter of a fiscal year might disproportionally disrupt Government operations, the BEA requires OMB to reduce the applicable cap for the next fiscal year, in lieu of a sequestration in the fourth quarter.

(c) *PAYGO requirements.*

The BEA doesn't cap mandatory spending. Instead, it requires all laws enacted through 2002 that affect mandatory spending or receipts to be enacted on a "pay-as-you-go" basis. This means that if a provision of law increases the deficit or decreases the surplus in the budget year or any of the four following years, another provision of law (in the same or another law) must offset the increase with a reduction in spending or increase in receipts in each affected year. A provision that increases benefit payments, for example, would have to be offset by a provision reducing other mandatory spending or increasing receipts. Otherwise, the BEA requires the President to issue a sequestration order at the end of the session of Congress in the fiscal year in which the deficit is increased. (Note: Although the BEA requires

estimates of the effects of legislation for the budget year and the four following years, OMB requires budget policy estimates for 9 years beyond the budget year (see section 30.2.)

The BEA sequestration procedures require a uniform reduction of mandatory spending programs that are neither exempt nor subject to special rules. The BEA exempts Social Security, interest on the public debt, Federal employee retirement, Medicaid, most means-tested entitlements, deposit insurance, other prior legal obligations, and most unemployment benefits from sequestration. A special rule limits the sequester of Medicare spending to no more than 4 percent, and special rules for some other programs limit the size of a sequestration for those programs. As a result of exemptions and special rules, only about 3 percent of all mandatory spending is subject to sequestration, including the maximum amounts allowed under the special rules.

The PAYGO rules don't apply to increases in mandatory spending or decreases in receipts that don't result from new laws. For example, mandatory spending for benefit programs, such as unemployment insurance, rises when the population of eligible beneficiaries rises, and many benefit payments are automatically increased for inflation under existing laws. Likewise, tax receipts decrease when the profits of private businesses decline as the result of economic conditions.

If both the Congress and the President designate a provision of mandatory spending or receipts legislation as an emergency requirement, we don't score the effect of the provision on the surplus or deficit.

(d) *OMB and CBO estimates.*

The BEA requires OMB, using the methods prescribed by the BEA, to make the estimates and calculations that determine whether there is to be a sequestration and report them to the President and Congress. The President's sequestration order may not change any of the particulars of the OMB report. The BEA requires the Congressional Budget Office (CBO) to make the same estimates and calculations, and requires OMB to explain any differences between the OMB and CBO estimates. Congress uses the CBO estimates for enforcing constraints during the congressional budget process.

(e) *Reporting requirements.*

The BEA requires OMB to issue five different kinds of reports to the President and the Congress, which the following table describes. The BEA requires CBO to issue like reports, with its estimates, 5 days earlier than the OMB reports.

BEA REPORTS

What OMB reports...	When...
Preview report. This report discusses the status of discretionary and PAYGO sequestration based on current law. It also explains OMB adjustments to the discretionary caps, under the BEA's adjustment provisions, and publishes the revised caps. By custom, OMB publishes its report as a chapter of the *Analytical Perspectives* volume of the budget.	With the President's budget
7-day after reports. As part of enforcing the discretionary spending caps, OMB must issue a report for each appropriation act (including a supplemental appropriations act) estimating the amount of new budget authority and outlays provided by the act for the current year and budget year. As part of enforcing the PAYGO rules, OMB must also issue a report for each authorizing act that changes receipts or outlays.	7 days after enactment of a bill

What OMB reports...	When...
Update report. This report revises the preview report estimates to reflect the effects of newly enacted discretionary and PAYGO legislation.	August 20
Final report. This report also revises the preview report estimates, this time to reflect the effects of legislation enacted through the end of the session of Congress. The estimates in this report determine whether the President must issue a sequestration order.	15 days after the end of a session of Congress (usually in the fall of each year)
Within-session report. The BEA requires OMB to report if an appropriation for a fiscal year in progress is enacted before July 1 that breaches a cap. The report triggers a sequestration order. (If an appropriation is enacted after July 1 that breaches a cap, the BEA requires OMB to reduce the cap for the following year.)	Between the end of a session of Congress and July 1

20.10 What do I need to know about refunds?

You might think that you should record refunds received as collections and refunds paid as outlays, but that isn't always the case. The following table explains how to record refunds *received.* (We cover refunds paid after the table.)

If you...	And the appropriation against which the obligation was incurred...	You...
(1) receive a refund of funds that were obligated and outlayed in that year	remains available (usually the case)	reduce the total amount of obligations and outlays recorded for the year in the budget schedules.
(2) receive a refund of funds that were obligated in a previous year	remains available for new obligations	record the refund as an offsetting collection, increasing spending authority from offsetting collections.
(3) receive a refund of funds that were obligated in a previous year	has expired but is not yet canceled	Record the refund as an offsetting collection and as a portion of cash collections credited to expired accounts (line 8896 of the P&F schedule). These offsetting collections are not reported as new spending authority from offsetting collections (part of gross budget authority), and the amount on line 8896 reduces the offset applied to gross budget authority.
(4) receive a refund of funds that were obligated in a previous year	has been canceled	credit the refund to miscellaneous receipts of the Treasury.

Record refunds *paid* as follows:

- Record refunds paid by an expenditure account as an obligation and an outlay of the account.

- Record refunds of receipts that result from overpayments (such as income taxes withheld in excess of a taxpayer's income tax liability) as reductions of receipts, rather than as outlays. This does not include payments to a taxpayer for credits (such as an earned income tax credit) that exceed the taxpayer's income tax liability. Record these as outlays, not as refunds.

20.11 What do I need to know about accounts and fund types?

(a) *Accounts.*

An a*ccount* may mean a "receipt" account or an "expenditure" account. The term may refer to a "Treasury" account or a "budget" accounts.

For receipt accounts, the budget accounts generally are coterminous with Treasury accounts.

For expenditure accounts (which includes both "appropriations" and "fund" accounts), Treasury establishes separate accounts for each appropriation title based on the availability of the resources in the account. Treasury establishes separate accounts for each annual, multi-year, or no-year amount appropriated.

In budget execution, the term "account" normally refers to the Treasury account.

The budget accounts are based on actual and proposed Treasury accounts. Normally a budget account in the MAX database is a consolidation of all the Treasury accounts with the same apppropriation title, for example, "Salaries and expenses". As an illustration, the FY 2002 column of the program and financing schedule for "Salaries and expenses" in the budget Appendix would cover outlays made in FY 2002 from the unexpired FY 2002 annual appropriation, the FY 2000–2002 multi-year appropriation, the no-year appropriation, and the five expired annual appropriations (FY 1997 through FY 2001).

For more information on account identification codes see section 79.2.

(b) *Overview of fund types.*

Agency activities are financed through general funds, special funds, and revolving funds (public enterprise revolving funds and intragovernmental revolving funds), which constitute the Federal funds group, and trust funds and trust revolving funds, which constitute the trust funds group. General, special, and trust fund collections and disbursements may be held *temporarily* in clearing accounts pending clearance to the applicable account. In a few cases, agencies account for amounts that are not Government funds in deposit funds. The following table summarizes the characteristics of these funds. The text following the table discusses the types of funds in more depth.

CHARACTERISTICS OF FUND TYPES AND THEIR ACCOUNTS

Fund Type/Account **Treasury Account Symbol**	**What is the purpose of the account?**	**Are receipt accounts and expenditure accounts linked?**	**Are these funds included in the budget?**
Federal funds:			
General fund receipt accounts	Record unearmarked receipts.	No.	Yes.

Fund Type/Account Treasury Account Symbol	What is the purpose of the account?	Are receipt accounts and expenditure accounts linked?	Are these funds included in the budget?
(0000–3899)			
General fund expenditure accounts (0000–3899)	Record budget authority, obligations, and outlays of general fund receipts and borrowing. Record offsetting collections authorized by law, such as the Economy Act, and associated budget authority, obligations, and outlays.	No, general fund appropriations draw from general fund receipts collectively.	Yes.
Special fund receipt accounts (5000–5999)	Record receipts earmarked by law for a specific purpose (other than business-like activity).	Yes.	Yes.
Special fund expenditure accounts (5000–5999)	Record budget authority, obligations, and outlays of special fund receipts. Record offsetting collections authorized by law, such as the Economy Act, and associated budget authority, obligations, and outlays	Yes.	Yes.
Public enterprise revolving funds (4000–4499)	Record offsetting collections earmarked by law for a specific purpose and associated budget authority, obligations, and outlays for a business-like activity conducted primarily with the public.	Not applicable. Collections are credited to the expenditure account.	Yes.[1]
Intragovernmental revolving funds (4500–4999)	Record offsetting collections earmarked by law for a specific purpose and associated budget authority, obligations, and outlays for a business-like activity conducted primarily within the Government.	Not applicable. Collections credited to the expenditure account.	Yes.
Trust funds: Trust fund receipt accounts	Record receipts earmarked by law for a specific purpose (other than a business-like activity).	Yes.	Yes.[1]

Fund Type/Account Treasury Account Symbol	What is the purpose of the account?	Are receipt accounts and expenditure accounts linked?	Are these funds included in the budget?
(8000–8399 and 8500–8999)			
Trust fund expenditure accounts (8000–8399 and 8500–8999)	Record budget authority, obligations, and outlays of trust fund receipts. Record offsetting collections authorized by law, such as the Economy Act, and associated budget authority, obligations, and outlays.	Yes.	Yes.[1]
Trust revolving funds (8400–8499)	Record offsetting collections earmarked by law for a specific purpose and associated budget authority, obligations, and outlays for a business-like activity conducted primarily with the public.	Not applicable. Collections credited to the expenditure account.	Yes.
Other:			
Clearing accounts (F3800–F3885)	Temporarily hold general, special, or trust fund Federal Government collections or disbursements pending clearance to the applicable receipt or expenditure accounts.	Not applicable. Deposits and disbursements are recorded in the same account.	Yes
Deposit funds (6000–6999)	Record deposits and disbursements of monies not owned by the Government.	Not applicable. Deposits and disbursements are recorded in the same account.	No.

[1] By law, the budget authority and the outlays (net of offsetting collections) of the Postal Service Fund (a revolving fund), and the receipts, budget authority, and outlays of the two social security trust funds (the Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund) are excluded from the budget totals. The budget documents present these amounts as "off-budget" and adds them to the budget totals to show totals for the Federal Government (sometimes called unified budget totals).

(c) *Federal funds.*

Federal funds comprise several types of accounts or funds. A *general fund receipt account* records receipts not earmarked by law for a specific purpose, such as individual income tax receipts. A *general fund expenditure account* records appropriations from the general fund and the associated transactions, such as obligations and outlays. General fund appropriations draw from general fund receipts collectively and, therefore, are not specifically linked to receipt accounts.

The Federal funds group also includes *special funds* and *revolving funds*, both of which earmark collections for spending on specific purposes. We establish a special fund where the law requires us to earmark collections from a specified source to finance a particular program, and the law neither authorizes the fund to conduct a cycle of business-type operations (making it a revolving fund) nor designates it as a trust fund. For example, a law established the Land and water conservation fund, earmarking a portion of rents and royalties from Outer Continental Shelf lands and other receipts to be used for land acquisition, conservation, and recreation programs. The receipts earmarked to a fund are recorded in one or more *special fund receipt accounts.* More than one receipt account may be necessary to distinguish different types of receipts (governmental, proprietary, etc.) and receipts from significantly different types of transactions (registration fees vs. fines and penalties, for example). The fund's appropriations and associated transactions are recorded in a *special fund expenditure* account. Most funds have only one expenditure account, even if there are multiple receipt accounts. However, a large fund, especially one with appropriations to more than one agency (such as the Land and water conservation fund), may have more than one expenditure account. The majority of special fund collections are derived from the Government's power to impose taxes, fines, and other compulsory payments, and they must be appropriated before they can be obligated and spent.

Revolving funds conduct continuing cycles of business-like activity. They charge for the sale of products or services and use the proceeds to finance their spending. Instead of recording the collections in receipt accounts (as offsetting receipts), the budget records the collections and the outlays of revolving funds in the same account. The laws that establish revolving funds authorize the collections to be obligated and outlayed for the purposes of the fund without further appropriation. The law of supply and demand is expected to regulate such funds. However, in some cases, Congress enacts obligation limitations on the funds in appropriations acts as a way of controlling their expenditures (for example, a limitation on administrative expenses). There are two classes of revolving funds. *Public enterprise funds,* such as the Postal Service Fund, conduct business-like operations mainly with the public. *Intragovernmental funds,* such as the Federal Buildings Fund, conduct business-like operations mainly within and between Government agencies.

(d) *Trust funds.*

Trust funds account for the receipt and expenditure of monies by the Government for carrying out specific purposes and programs in accordance with the terms of a statute that designates the fund as a trust fund (such as the Highway Trust Fund) or for carrying out the stipulations of a trust agreement where the Nation is the beneficiary (such as any of several trust funds for gifts and donations for specific purposes). Like special funds and revolving funds, trust funds earmark collections for spending on specific purposes. Many of the larger trust funds finance social insurance payments for individuals, such as Social Security, Medicare, and unemployment compensation. Other major trust funds finance military and Federal civilian employees' retirement, highway and mass transit construction, and airport and airway development.

A trust fund normally consists of one or more receipt accounts to record receipts and an expenditure account to record the appropriation of the receipts and associated transactions. Some trust funds have multiple receipt accounts for the same reasons that special funds have them. Also, like special funds, large trust funds (such as the Highway Trust Fund) may have multiple expenditure accounts. A few trust funds, such as the Veterans Special Life Insurance fund, are established by law as revolving funds. These funds operate the same way as revolving funds in the Federal funds group, and we call them *trust revolving funds.* They conduct a cycle of business-type operations. The collections are credited to the expenditure account as offsetting collections and their outlays are displayed net of collections in a single expenditure account.

The Federal budget meaning of the term "trust," as applied to trust fund accounts, differs significantly from its private sector usage. In the private sector, the beneficiary of a trust usually owns the trust's assets, which are managed by a trustee who must follow the stipulations of the trust. In contrast, the Federal Government owns the assets of most Federal trust funds, and it can raise or lower future trust fund collections and payments, or change the purposes for which the collections are used, by changing existing laws. There is no substantive difference between these trust funds and special funds or between trust revolving funds and public enterprise revolving funds. Whether a particular fund is designated in law as a trust fund is, in many cases, arbitrary. For example, the National Service Life Insurance Fund is a trust fund, but the Servicemen's Group Life Insurance Fund is a Federal fund, even though both are financed by earmarked fees paid by veterans and both provide life insurance payments to veterans' beneficiaries. There are a few Federal trust funds that are managed pursuant to a trust agreement. These are identified in the budget as "gift funds". In addition, the Government does act as a true trustee on behalf of some entities outside of the Government where it makes no decisions about the amount of these deposits or how they are spent. For example, it maintains accounts on behalf of individual Federal employees in the Thrift Savings Fund, investing them as directed by the individual employee. The Government accounts for such funds in deposit funds (see the next section).

(e) *Clearing accounts*

You use clearing accounts to temporarily account for transactions that you *know belong to the Government* but you can not match the transaction to a specific receipt or expenditure account. For example:

- To temporarily credit unclassified transactions from the public when there is a reasonable presumption that the amounts belong to a Federal Government account other than miscellaneous receipts in the Treasury.

- To temporarily credit unclassified transactions between Federal agencies, including On-line Payment and Collection (OPAC) transactions.

(f) *Deposit funds*

You use deposit funds to account for monies that *do not belong to the Government*. This includes monies held temporarily by the Government until ownership is determined (such as earnest money paid by bidders for mineral leases) or held by the Government as an agent for others (such as State and local income taxes withheld from Federal employees' salaries and not yet paid to the State or local government). We exclude deposit fund transactions, as such, from the budget totals because the funds are not owned by the Government. Therefore, the budget records transactions between deposit funds and budgetary accounts as transactions with the public. For example, when the mineral leasing process has been completed, the winning bidder's earnest money is transferred from the deposit fund to the appropriate receipt account and the budget records a receipt. Similarly, outlays are recorded in an agency's salaries and expense account when a Federal employee is paid, even though some of the amount is transferred to a deposit fund for State and local income taxes withheld and paid later to the State and local government. Deposits and associated disbursements are recorded in the same account.

20.12 How do I record investment in securities, disinvestment, and earnings?

(a) *Overview.*

You may only invest funds in securities if you are authorized to do so by law. Authorizing laws usually specify investment in Federal securities; they rarely authorize investment in non-Federal securities (see

the definitions below). The budget treatment of investment in non-Federal securities, described in subsection (c), differs from that of Federal securities, described in subsection (d).

The guidance in this section regarding purchase premiums and discounts doesn't apply to the Treasury Department's purchases of marketable Treasury securities from the public prior to their maturity (often referred to as "debt buybacks"). The budget records buyback premiums and discounts as means of financing a surplus or deficit, rather than as outlays or offsetting collections or receipts. The buyback premium or discount is the difference between the purchase price of a security and its book value. The book value can be expected to differ from the par value (face value) of the security. (See Chapter 25, "Budget System and Concepts and Glossary," pages 425–44, of the *Analytical Perspectives* volume of the 2001 budget for an explanation of the reason for this treatment.)

(b) *Special terms for investment defined.*

(1) *Accrued interest purchase* means payments to the seller of a security, when a security is purchased, for interest that has accrued to the seller but that will be paid to the purchaser.

(2) *Amortization* means to record a portion of any purchase discount or purchase premium in each reporting period over the life of a security, or it means the amount so recorded.

(3) *Book value* means the *par value* of a security minus the amount of any unamortized discounts or plus the amount of any unamortized premiums.

(4) *Earnings* refers collectively to some or all of these components: interest, accrued interest purchases, the amortization of purchase premiums and discounts, and sales gains and losses.

(5) *Federal securities* consist of securities issued by Federal agencies, including nonmarketable par value Treasury securities, market-based Treasury securities, marketable Treasury securities, and securities issued by other Federal agencies. (Compare this to *non-federal securities*.)

(6) *Interest* means the nominal interest or stated amount of interest received on a security.

(7) *Marketable Treasury securities*, including Treasury bills, notes, and bonds, are types of securities that Treasury initially issues by sale to the marketplace and that can be bought and sold on securities exchange markets.

(8) *Market-based Treasury securities* are special series debt securities that the U.S. Treasury issues to Federal entities without statutorily determined interest rates. These securities are not offered to the market place and cannot be bought and sold on exchange markets, but Treasury sets their terms (prices and interest rates) to mirror the terms of marketable Treasury securities. Because they mirror market terms, the purchase price may reflect a premium or discount.

(9) *Net value*, for the purpose of budget schedules, means the par value of a security reduced by the amount of any purchase discount on a cash basis. This definition differs from the definition of "Treasury securities, net" as reported in balance sheets under section 86.2 (see *Differences between amounts recorded in budget schedules and financial statements* in subsection (d)).

(10) *Nonmarketable par value Treasury securities* are special series debt securities that the U.S. Treasury issues to federal entities at par value. These securities are not offered to the market

place and cannot be bought and sold on exchange markets. As required by the authorizing laws, Treasury sets the interest rate on such securities taking into consideration current market yields on outstanding marketable Treasury securities of specified maturity. Because these securities are sold at par value, there is no purchase premium or discount.

(11) *Non-Federal securities* consist of securities issued by a non-Federal entity, including State and local governments, private corporations, and Government-sponsored enterprises, regardless of whether the securities are federally guaranteed.

(12) *Par value* is the amount of principal a security pays at maturity. It is the amount printed on the face of a Treasury security, which is why it is sometimes referred to as the face value, or the equivalent book-entry amount.

(13) *Purchase discount* means the excess of a security's par value over its purchase price.

(14) *Purchase premium* means the excess of a security's purchase price over its par value.

(15) *Sales gain* means the excess of the sales price over the purchase price of the security.

(16) *Sales loss* means the excess of the purchase price over the sales price at the time of the sale.

(c) *Non-Federal securities*

The budget treats an investment in a non-Federal security (equity or debt security) as a purchase of an asset, recording an obligation and an outlay in an amount equal to the purchase price in the year of the purchase. You cannot incur such an obligation unless budget authority (or unobligated balances of budget authority) is available for the purpose. If a law clearly requires such investment without requiring further action by Congress, we will generally construe that law as providing budget authority for the purpose.

Investment in non-Federal securities consumes budgetary resources, unlike investment in Federal securities. The purchase of non-Federal securities using unobligated balances reduces the balances. The balance doesn't include the value of non-Federal securities because the funds have been spent for the purchase of the assets.

When such securities are sold or redeemed at maturity, the budget records the proceeds as offsetting collections or receipts, which adds to the balances of the account.

You record interest and other earnings on such investments as described for earnings on Federal securities in the next subsection, except that you must account for such earnings separately from earnings on investments in Federal securities. You record earnings credited to a general fund appropriation account or revolving fund account as offsetting collections on line 8840, Non-Federal sources, of the program and financing statement. You record earnings credited to a special or trust fund account as proprietary receipts in a separate receipt account for this purpose.

(d) *Federal securities.*

Because Federal securities are the equivalent of cash for budget purposes, we treat investment in them as a change in the mix of assets held, rather than as a purchase of assets. The following bullets describe the treatment in general terms, and the following table explains how to record specific transactions in the budget. The purchase, sale, or redemption of an asset, or the earnings in a year, may combine several transactions.

- Principal. The investment reduces the cash balances by the purchase price and increases balances of Federal securities. How you report balances of Federal securities depends on which budget schedule you are working with.

  - *Unavailable collections schedule (schedule N).* This schedules doesn't divide the unavailable balances into cash and Federal securities. It presents the balances as a single amount (unless the balances are divided for other reasons). The amount equals the uninvested cash balance, plus the *net value* (as defined in subsection (b)) of Federal securities held. MAX generates schedule N automatically. (See section 86.6.)

  - *Program and financing schedule (schedule P).* This schedule doesn't divide balances (unobligated or obligated balances) into cash and Federal securities. It presents the balances as a single amount (unless the balances are divided for other reasons). The amount equals the uninvested cash balance, plus the *net value* (as defined in subsection (b)) of Federal securities held. Enter the end of year unobligated and obligated balances in MAX as you would normally. In addition, you must enter memorandum entries for total investments at *par value* at the start and end of each year. (See section 82.7.)

  - *Status of funds schedule (schedule J).* We require this schedule for certain accounts listed by agency in section 86.5. For unexpended balances at the start of the year and at the end of the year, the schedule presents separate amounts for the cash balance, the balance of Federal securities at *par value,* and unrealized purchase discounts. The MAX database generates schedule J automatically, except that it does not divide balances into amounts for cash, Federal securities at par value, or unrealized purchase discounts. You must enter these amounts. (See section 86.5.)

- Earnings. You record all earnings as net interest. Some components may be positive (such as interest and realized purchase discounts) and others negative (such as an accrued interest purchases and purchase premiums). Record each component as an increase or decrease in the net interest for the year in which the transaction occurs. For investments from a general fund appropriation account or revolving fund account (including a trust revolving fund account), record interest as an offsetting collection credited to the account (line 8820 Interest on Federal securities) of the P&F schedule. For investments from a special or trust fund account (non-revolving), record interest in a receipt account for interest (usually one ending with the suffix .20). The Status of Funds schedule, if one is required for the account, records earnings on lines that correspond to the entries for offsetting collections in the P&F schedule or the receipts credited to receipt accounts, as appropriate.

We may specify an alternative treatment for certain accounts where these rules may result in significant distortions of amounts presented in the budget.

The following table lists the transactions associated with investments in Federal securities in the first column and explains how to record them in the budget schedules in columns 2 through 4. Please note these features of the table:

- The second column contains instructions for recording transactions in the P&F schedule. The instructions for recording principal transactions apply to all accounts investing or disinvesting in securities. The instructions for recording earnings apply only to investments from general fund appropriation accounts or revolving fund accounts (including trust revolving funds).

- The third column contains instructions for recording earnings in special and trust fund (except trust revolving fund) receipt accounts for interest.

- The fourth column contains instructions for recording transactions—both principal transactions and earnings transactions—in the Status of Funds schedule required for certain accounts listed in section 86.6.

- Although the instructions on balances specify end of year balances, they apply equally to start of year balances, because end of year balances are carried forward and become the start of year balances for the next year. MAX automatically generates the start of year balances in the Unavailable Collections schedule (MAX schedule N), the P&F schedule (MAX schedule P), and the Status of Funds schedule (MAX schedule J), except that you must break out the amounts for cash, Federal securities at par value, and unrealized purchase discounts in the Status of Funds schedule.

- A negative sign "(–)" at the end of a stub label means that you normally report negative amounts on this line. A direction to increase the amount reported means you should report a larger negative amount, and a direction to decrease the amount means you should report a smaller negative amount. The absence of a sign means you normally report positive amounts on this line. It is possible for negative earnings (such as a sales loss) for an account for a year to produce a positive amount for offsetting collections, or a negative amount for receipts, if the amounts reported for other transactions during the year are not sufficient to offset the negative earnings. (No signs appear in the stub labels printed in the budget.)

If the transaction is...	In the P&F schedule...	Or, in the special or trust fund receipt account for interest (usually suffix .20) ...	And, in the Status of Funds schedule...
(1) Principal, upon investment.	Increase the amount reported on line 9202, "Total investments, end of year; Federal securities: Par value," by the par value in the purchase year.	Not applicable.	Decrease the amount reported on line 0700, "Uninvested balance," by the purchase price in the purchase year. Increase the amount reported on line 0701, "Federal securities: Par value," by the par value in the purchase year.
(2) Purchase discount—the excess of a security's par value over the purchase price.	Not applicable.	Not applicable.	In the year of the purchase, increase the amount reported on line 0702, "unamortized purchase discounts (–)," by the discount amount. When the security matures: (1) Decrease the amount reported on line 0702, "Purchase discounts (–)," by the amount of the purchase discount; and (2) increase the amount reported on the line corresponding to the offsetting collection or receipt, as appropriate, by the

If the transaction is...	In the P&F schedule...	Or, in the special or trust fund receipt account for interest (usually suffix .20) ...	And, in the Status of Funds schedule...
			amount of the purchase discount.
(3) Purchase premium—the excess of a security's purchase price over its par value.	Decrease the amount reported on line 8820, "Interest on Federal securities (–)," by the premium amount in the year of the purchase.	Decrease the amount reported as interest by the premium amount in the year of the purchase.	Decrease the amount reported on the line corresponding to the offsetting collection or receipt, as appropriate, by the amount of the purchase premium in the year of the purchase.
(4) Accrued interest purchase—a payment to the seller of a security, when a security is purchased, for interest that has accrued to the seller but that will be paid to the purchaser.	Decrease the amount reported on line 8820, "Interest on Federal securities (–)," by the amount of the accrued interest purchase in the year of purchase.	Decrease the amount reported as interest by the amount of the accrued interest purchase in the year of the purchase.	Decrease the amount reported on the line corresponding to the offsetting collection or receipt, as appropriate, by the amount of the accrued interest purchase in the year of purchase.
(5) Interest—the nominal or stated amount of interest received.	Increase the amount reported on line 8820 "Interest on Federal securities (–)," by the amount of interest received each year.	Increase the amount reported for interest by the amount of interest received each year.	Increase the amount reported on the line corresponding to the offsetting collection or receipt, as appropriate, by the amount of interest received each year.
(6) Principal, upon redemption at maturity.	Decrease the amount reported on line 9202, "Total investments, end of year; Federal securities: Par value," by the par value in the year of redemption.	Not applicable.	Increase the amount reported on line 0700, "Uninvested balance," by the par value in the year of redemption. Decrease the amount reported on line 0701, "Federal securities: Par value" by the par value in the year of redemption.
(7) Principal, upon sale before maturity.	Decrease the amount reported on line 9202, "Total investments, end of year; Federal securities: Par value," by the par value in the year of sale.	Not applicable.	In the year of the sale: Increase the amount reported on line 0700, "Uninvested balance" by the sales price. Decrease the amount reported on line 0701, "Federal securities: Par value" by the par value. Decrease the amount reported on line 0702,

If the transaction is...	In the P&F schedule...	Or, in the special or trust fund receipt account for interest (usually suffix .20) ...	And, in the Status of Funds schedule...
			"Purchase discounts (–)," if the security was purchased at a discount.
(8) Sales gain—the excess of the sales price over the purchase price.	Increase the amount reported on line 8820, "Interest on Federal securities (–)," by the amount of the gain in the year of the sale.	Increase the amount reported for interest by the amount of the gain in the year of the sale.	Increase the amount reported on the line corresponding to the offsetting collection or receipt, as appropriate, by the amount of the gain in the year of the sale.
(9) Sales loss—the excess of the purchase price over the sales price.	Decrease the amount reported on line 8820 "Interest on Federal securities (–)," by the amount of the loss in the year of the sale.	Decrease the amount reported for interest by the amount of the loss in the year of the sale.	Decrease the amount reported on the line corresponding to the offsetting collection or receipt, as appropriate, by the amount of the loss in the year of the sale.

Differences between amounts recorded in budget schedules and financial statements.

- Purchase discounts. Budget schedules record them when the security matures. In most cases, financial statements amortize them over the term of the security.

- Purchase premiums. Budget schedules record them at purchase. In most cases, financial statements amortize them over the term of the security.

- Net value. For budget schedules, the term means the par value of a security minus the amount of any purchase discount on a cash basis. Don't confuse it with the term Treasury securities, net used in financial statements, which means the par value of a security minus the amount of any unamortized discounts or plus the amount of any unamortized premiums.

- Signs. Earnings reported as offsetting collections in the program and financing schedule carry the opposite sign from income reported in financial statements. In the program and financing statement, increases in income are reported as negative amounts and decreases are reported as positive amounts.

Differences between amounts recorded by Treasury and the budget. You will encounter differences between Treasury records and the budget if a law authorizes you to invest special or trust funds in Federal securities but requires appropriations acts to determine the amount of receipts available to incur obligations. Treasury treats the authority to invest the receipts as an appropriation, recording the receipts as appropriated in the year received and subsequently as unexpended balances of appropriations (combined unobligated and obligated balances). Since such appropriations do not provide budget authority, do not record budget authority in the program and financing schedule. The MAX database will report these amounts, along with the other amounts reported as unavailable collections, in the special schedule required under section 86.7 (without separate identification for the invested portion of the balances).

20.13 What do I need to know about spending authority from offsetting collections?

(a) Spending authority from offsetting collections

Spending authority from offsetting collections is the budget authority that is financed by payments and repayments authorized by law to be credited to an appropriation or fund account. Offsetting collections consist of :

- Advances and reimbursements,
- Refunds, and
- Other income.

You may not retain collections unless you are authorized by a law. This prohibition is in 31 U.S.C. 3302(b).

(b) Advances

Advances are amounts of money prepaid to a Federal Government account for the later receipt of goods, services, or other assets, or as matching funds.

When an advance is required, the budgetary resource provided by the order is denominated by the cash accompanying the order. The advance, per se, is not available for obligation. If both the order and the advance were to be available for obligation, budgetary resources would be double-counted.

Deposit advances *with orders* in the appropriate appropriation/fund or receipt account.

Deposit advances *without orders* as follows:

If the advance is from...	Deposit the advance in...
A non-Federal source	Deposit fund account (6500)
A Federal source	An intragovernmental clearing account (F3885)

(c) Refunds

Refunds are the repayments of excess payments. The amounts are directly related to previous obligations incurred and outlays made against the appropriation. Deposit refunds to the credit of the appropriation or fund account charged with the original obligation as follows:

- Refunds collected by unexpired annual and multi-year appropriations and uncanceled no-year appropriations:

- Net refunds received in the same fiscal year as the obligations are incurred against “Obligations incurred” (line 8 of the SF 133) without further identification. These amounts have already been apportioned to the current year.

- Enter refunds of prior year obligations on line 3A1 when collected. These amounts must be reapportioned before being reobligated.

- Refunds receivable usually are not budgetary resources available for obligation until the refund is collected.

- Refunds collected by expired annual and multi-year appropriations are available for upward adjustments of valid obligations incurred during the unexpired period but not recorded.

- Deposit refunds to canceled annual, multi-year, or no-year appropriations in miscellaneous receipts in the Treasury.

(d) Advances or reimbursements collected in return for providing others with goods and services

The types of laws that allow you to use advances or reimbursements for providing goods and services are:

- Laws that establish revolving funds, including franchise funds;

- The Economy Act (31 U.S.C. 1535); and

- Provisions in your appropriations act, your authorizing legislation, or other substantive laws that allow you to use the amounts that you collect.

(e) Revolving fund

You may use a revolving fund when a law establishes the revolving funds and authorizes you to credit payments to the revolving fund that performs the work. Revolving funds operate on a reimbursable basis when working capital (undisbursed cash) is available. Otherwise, advance payments must accompany orders. You may *not* disburse revolving funds into a negative cash position in anticipation of Federal or non-Federal reimbursements.

(f) Economy Act

The Act authorizes the head of an agency or major organizational unit within an agency to place an order with a major organizational unit within the same agency or another Federal agency for goods or services provided that:

- The ordering agency has enough money to pay for the order.

- The head of the ordering agency or unit decides the order is in the best interest of the United States Government.

- The agency or unit to fill the order is able to provide or get by contract the ordered goods or services.

- The head of the ordering agency decides that the ordered goods or services cannot be provided by contract as conveniently or cheaply by a commercial enterprise.

Transactions authorized by the Economy Act are limited by the statutory requirement that the amount obligated by the ordering appropriation is required to be deobligated to the extent that the agency or unit filling the order has not incurred obligations before the end of the period of availability of the ordering appropriation.

Under the Economy Act, payment may be made in advance or reimbursements may be made. Advances and reimbursements from other Federal Government appropriations are available for obligation when the ordering appropriation records a valid obligation to cover the order.

(g) Reimbursable work with Federal agencies under the Economy Act

When you anticipate but have not yet received an order, whether or not you received an advance, enter the amount on line 3C of the SF 133, "Anticipated for rest of year: Without advance."

When you receive the order, move the amount of the order from line 3C to line 3B2, "Change in unfilled customer orders: Without advance from Federal sources." If the order is accompanied or preceded by an advance payment, move the advance payment (up to the amount of the order) to line 3B1, "Change in unfilled customers' orders: Advance received."

If you do not record valid obligations to cover all or part of an order before the period of availability to make obligations of the ordering account expires, then you may not fill that part of the order. You must send back any cash advances not covered by obligations back to the ordering account. If you are the ordering agency, deobligate funds not covered by obligations by the performing account and record the corresponding adjustments. Use line 4A of the SF 133, "Recoveries of prior year obligations, actual," for obligations incurred in prior fiscal years. For obligations incurred in the current fiscal year, net the amount against the appropriate line 8, "Obligations incurred." If a cash advance accompanied the order, use line 3A1 when you collect the refund. These will be start of year unobligated balances available for adjustments but not new obligations in the expired years.

When you fill the order, move the amounts earned and collected to line 3A1, "Earned: Collected." Move the amounts earned but *not* collected to line 3A2, "Earned: Receivable from Federal sources."

If you receive payment for a filled order *after* the period of obligational authority of the performing appropriation has *expired,* credit the payment to the expired appropriation, unless the law expressly prescribes other procedures.

If you receive payment *after* your performing account has been *canceled*, you must send the amounts to miscellaneous receipts in the Treasury.

If the period of disbursement for your account is canceled before you reimburse the appropriation that performed the work, you can only make the repayment from an unexpired appropriation that is available for the same purpose as the closed account.

(h) Payments from the public

If the law authorizes an expenditure account to perform work for the public and to credit collections from the public as spending authority, you may cover obligations incurred by the account by:

- Advances collected up to the amount of accompanying orders. (You must deposit amounts greater than accompanying orders in a deposit fund. The expenditure account may *not* incur obligations against amounts *greater than* the order.)

- Working capital that is available for this purpose.

Transfers[1] of Budgetary Resources Among Federal Government Accounts

TYPE OF TRANSACTION	NATURE OF TRANSACTION	TREASURY ACCOUNTING TREATMENT	BUDGET TREATMENT
I. NONEXPENDITURE TRANSFERS			
A. TRANSFER OF AUTHORITY TO OBLIGATE	Transfers to carry out the purposes of the RECEIVING ACCOUNT, for example, to shift resources from one purpose to another or to reflect a reorganization.	TRANSFER via S.F. 1151	The TRANSFERRING ACCOUNT reports a transfer out of budget authority or balances. THE RECEIVING ACCOUNT reports a transfer in.
B. ALLOCATION OF AUTHORITY TO OBLIGATE i.e., transfers to transfer appropriation accounts	Transfers to carry out the purposes of the PARENT ACCOUNT.	TRANSFER via S.F. 1151	Obligations and outlays are reported by the PARENT ACCOUNT.
II. EXPENDITURE TRANSFERS			
A. PAYMENTS BETWEEN TWO FEDERAL FUNDS OR BETWEEN TWO TRUST FUNDS	Payments to carry out the purposes of the PAYING ACCOUNT, such as payments in return for goods and services authorized under the Economy Act.	PAYMENTS via S.F. 224 or electronic funds transfer.[2]	Obligations and outlays are reported by the PAYING account. Offsetting collections are reported by the RECEIVING account. The collections are (1) ADVANCES or (2) REPAYMENTS in the form of REIMBURSEMENTS or REFUNDS.
B. PAYMENTS BETWEEN FEDERAL AND TRUST FUNDS	All transfers between the two fund groups are expenditure transfers.	PAYMENTS via S.F. 224 or electronic funds transfer.	Same as above.

[1] A transfer is distinguished from a reprogramming in that a reprogramming is the shifting of budgetary resources within an Treasury account whereas a transfer is the shifting of budgetary resource between two Treasury accounts.

[2] For non-Treasury disbursing offices, the equivalent of the SF 224 is the SF 1219, Statement of Accountability and SF 1220, Statement of Transactions.

SECTION 22—COMMUNICATIONS WITH CONGRESS AND THE PUBLIC AND CLEARANCE REQUIREMENTS

Table of Contents

22.1 Confidentiality of budget deliberations
22.2 Congressional testimony and communications
22.3 Clearance of materials for Congress and the media
22.4 Clearance of changes to the President's budget
22.5 Information available to the public
22.6 Additional material to be included in congressional budget justifications.

Summary of Changes

Clarifies guidance related to making information available to the public (section 22.5).

22.1 Confidentiality of budget deliberations.

The nature and amounts of the President's decisions and the underlying materials are confidential. Do not release the President's decisions outside of your agency until the budget is transmitted to Congress. Do not release any materials underlying those decisions at any time, except in accordance with this section. Presidential decisions on current and budget year estimates (other than forecasts of items that will be transmitted formally later), both in total and in detail, become the "proposed appropriations" as that term is used in the Budget and Accounting Act of 1921, as amended, and must be justified by your agency. Do not release agency justifications provided to OMB and any agency future year plans or long-range estimates to anyone outside the executive branch, except in accordance with this section.

22.2 Congressional testimony and communications.

The Executive Branch communications that led to the President's budget decisions will not be disclosed either by the agencies or by those who have prepared the budget. In addition, agency justifications provided to OMB and any agency future year plans or long-range estimates will not be furnished to anyone outside the executive branch, except in accordance with this section.

When furnishing information on appropriations and budgetary matters, you (and your agency representatives) should be aware of the following limitation on communications:

> "... An officer or employee of an agency may submit to Congress or a committee of Congress an appropriations estimate or request, a request for an increase in that estimate or request, or a recommendation on meeting the financial needs of the government only when requested by either House of Congress." (31 U.S.C. 1108)

You should also be aware of restrictions on communications to influence legislation that are not conducted through proper official channels (18 U.S.C. 1913).

After formal transmittal of the budget, an amendment, or a supplemental appropriation request, the following policies apply when testifying before any congressional committee or communicating with Members of Congress:

- Witnesses will give frank and complete answers to all questions.

- Witnesses will avoid volunteering personal opinions that reflect positions inconsistent with the President's program or appropriation request.

- If statutory provisions exist for the direct submission of the agency budget request to Congress, OMB may provide you additional materials supporting the President's budget request that you will forward to Congress with the agency testimony. Witnesses will be prepared to explain the agency submission, the request in the President's budget, and any justification material.

- When responding to specific questions on program and appropriations requests, witnesses will not provide the agency request to OMB or plans for the use of appropriations that exceed the President's request. Typically, witnesses are responsible for one or a few programs, whereas the President is responsible for all the needs of the Federal Government given the revenues available. Where appropriate, witnesses should explain this difference in perspective and that it is therefore not appropriate for them to support appropriations above the President's request.

- When asked to provide a written response that involves a statement of opinion on program and appropriations requests, witnesses will provide a reply through the agency head.

- Do not let your communications be perceived as an "appropriations estimate or request ... or an increase in that estimate or request" (31 U.S.C. 1108). You are expected to support the President's budgetary decisions and seek adjustments to those decisions only through established procedures if your agency head determines such action is necessary.

22.3 Clearance of materials for Congress and the media.

Policy consistency between the President's budget and the budget-related materials prepared for Congress and the media is essential. To ensure this consistency, you are required to submit budget-related materials to OMB for clearance prior to transmittal to congressional committees or individual Members of Congress or their staff, or the media. Unless a specific exemption is approved by OMB, materials subject to OMB clearance include:

- All budget justifications and budget-related oversight materials;

- Testimony before and letters to congressional committees;

- Written responses to congressional inquiries or other materials for record;

- Materials responding to committee and subcommittee reporting requirements;

- Capability statements;

- Appeals letters;
- Reprogramming requests;
- Related cost information;
- Financial management documents addressing budget and policy issues (e.g., some accountability reports or transmittal documents for audited financial statements); and
- Proposed press releases relating to the President's budget.

Provide this information to OMB five working days in advance to allow adequate review time. OMB review of reprogramming requests may take longer in some circumstances (e.g., if the request has not been coordinated or if supporting materials have not been provided concurrently). In exceptional circumstances, where the response time is very short, agencies may request oral clearance or make other arrangements for expedited review. Immediately after the budget transmittal and after subsequent transmittals, provide OMB with a schedule of anticipated congressional reviews that require agency oral and written participation. Revise this schedule as appropriate.

Address any questions you have about this subsection to the OMB representatives whom you normally consult on budget-related matters.

22.4 Clearance of changes to the President's budget.

If you want to propose changes to the President's budget (e.g., appropriations language, limitations, business-type statements required by the Government Corporation Control Act, and dollar amounts), you must follow the confidentiality and clearance guidance provided in this section and submit a written request as described in section 110.3. OMB will notify you whether a formal transmittal of the change will be made.

When it is possible to reduce the amount of an appropriations request before action has been taken by the Appropriations Committee of either House, the head of your agency should inform OMB promptly. Before your agency head decides to request restoration of a reduction, the reasons for the reduction, the circumstances under which it was made, and its significance to the President's program should be carefully considered.

22.5 Information available to the public.

Many agency budget documents that are subject to the Freedom of Information Act (FOIA) are exempt from mandatory release pursuant to 5 U.S.C. 552(b)(5). Depending on the nature of the record requested, other FOIA exemptions may apply. When deciding whether to withhold a budget document that is exempt from mandatory release, follow the FOIA memorandum issued by the Attorney General on October 12, 2001. Any discretionary decision by an agency to disclose protected information should be made only after full and deliberate consideration of the institutional interests that could be implicated by disclosure, as well as after consultation with OMB. Agency heads are responsible for determining the propriety of record releases under FOIA.

Certain agencies headed by a collegial body may be required to hold their meetings open to public observation unless the agency properly determines that the matter to be discussed warrants the closing of those meetings for reasons enumerated in the Government in the Sunshine Act (Public Law 94–409). Some meetings covered by that Act may pertain to budgetary information discussed in this Circular. Although, as with the FOIA, it is not possible to determine merely by the generic category of such information whether such an agency would be authorized to close a particular meeting covered by the Government in the Sunshine Act, the premature disclosure of budgetary information may "be likely to significantly frustrate implementation of a proposed agency action" (5 U.S.C. 552b(c)(9)(B)). Furthermore, other exemptions from the open meeting requirements of the Act may apply. Such agencies are responsible for the propriety of determinations that would lead to the disclosure of this budgetary information.

22.6 Additional material to be included in congressional budget justifications.

41 U.S.C. 433(h) requires you to identify funding levels requested for education and training of the acquisition workforce in your budget justifications to the Congress.

Public Law 100–615 requires you to identify funds requested for energy conservation measures in your budget justifications to the Congress.

You should provide Congress with information to assess current and proposed capital projects that is consistent with the Administration's budget proposals, including appropriate information on planning; budgeting, including the current or proposed use of incremental or full funding; acquisition; and management of the projects.

You must submit all budget justification materials to OMB for clearance before transmitting them to Congress.